

Bulletin of the European Communities

Commission



No 7/8 1987 Volume 20

The Bulletin of the European Communities reports on the activities of the Commission and the other Community institutions. It is edited by the Secretariat-General of the Commission (rue de la Loi 200, B-1049 Brussels) and published eleven times a year (one issue covers July and August) in the official Community languages.

Reproduction is authorized provided the source is acknowledged.

The following reference system is used: the first digit indicates the part number, the second digit the chapter number and the subsequent digit or digits the point number. Citations should therefore read as follows: Bull. EC 1-1987, point 1.1.3 or 2.2.36

Supplements to the Bulletin are published in a separate series at irregular intervals. They contain official Commission material (e.g. communications to the Council, programmes, reports and proposals).

Bulletin of the European Communities

Commission

ECSC — EEC — EAEC
Commission of the European Communities
Secretariat-General
Brussels

No 7/8 1987 Volume 20

Sent to press in October 1987

contents

PART ONE **SPECIAL FEATURES**

Preliminary chapter: In memoriam

1. Implementing the Single Act — From Brussels to Copenhagen 9
2. Commission plan for eliminating tax frontiers within the Com-
munity 14

PART TWO **ACTIVITIES IN JULY/AUGUST 1987**

1. Building the Community 18
 - Economic and monetary policy 18
 - Internal market and industrial affairs 19
 - Businesses 21
 - Steel 22
 - Research and technology 27
 - Telecommunications, information technology and
innovation 31
 - Customs union and indirect taxation 34
 - Competition 37
 - Financial institutions and company law 46
 - Employment, education and social policy 47
 - Culture 50
 - Regional policy 51
 - Coordination of structural instruments 53
 - Environment and consumers 54
 - Agriculture 59
 - Fisheries 72
 - Transport 76
 - Energy 77
 - Nuclear safety 78

2. External relations	80
— New round of multilateral trade negotiations	80
— Commercial policy	80
— Relations with industrialized countries	83
— Relations with other countries and regions	85
• Mediterranean countries	85
• Latin America	87
— Development	88
— International organizations and conferences	98
— Diplomatic relations	98
3. Financing Community activities	99
— Budgets	99
— Financial operations	101
4. Political and institutional matters	102
— Political cooperation	102
— European policy and relations between the institutions	103
— Institutions and organs of the Communities	105
• Parliament	105
• Council	111
• Commission	112
• Court of Justice	113
• Court of Auditors	134
• Economic and Social Committee	135
• European Investment Bank	141

PART THREE

DOCUMENTATION

1. ECU	150
2. Additional references in the Official Journal	152
3. Infringement procedures	153
4. Statement on Denmark's term as Council President	155
5. Eurobarometer	160

Supplements 1987

- 1/87 The Single Act: A new frontier—Programme of the Commission for 1987
- 2/87 25 March 1987: Thirtieth anniversary of the signing of the Treaties of Rome
- 3/87 European Economic Interest Grouping (EEIG)

PART ONE

SPECIAL FEATURES

Bulletin information service

Readers can obtain information on developments since this issue went to press (date of adoption of instruments by the Council, of opinions given by Parliament or the Economic and Social Committee, of publication in the Official Journal, etc.) by telephoning the document services of the Information Offices at the following numbers:

London	222 8122
Belfast	240708
Cardiff	371631
Edinburgh	225 2058
Dublin	712244

Mme Teirlinck
M. Clairet

References in text and footnotes

References to other parts of the same issue of the Bulletin are given in parentheses in text, thus (→ point 2.1.53).

References to other issues of the Bulletin, to a Bulletin Supplement, to an Official Journal etc. are given in footnotes.

Standardized abbreviations for the designation of certain monetary units in the different languages of the Community

ECU	=	European currency unit
BFR	=	Belgische frank / Franc belge
DKR	=	Dansk krone
DM	=	Deutsche Mark
DR	=	Greek drachma
ESC	=	Escudo
FF	=	Franc français
HFL	=	Nederlandse gulden (Hollandse florijn)
IRL	=	Irish pound / punt
LFR	=	Franc luxembourgeois
LIT	=	Lira italiana
PTA	=	Peseta
UKL	=	Pound sterling
USD	=	United States dollar

Alois Pfeiffer

Mr Alois Pfeiffer, Member of the Commission with special responsibility for economic affairs, regional policy and the Statistical Office, died on 1 August. At a commemorative ceremony held at the Commission on 23 September, the President said:

‘As he proved more than once, in taking what were hard and brave decisions, a passion for understanding and a determination to secure agreement inspired everything he did, yet in no way affected the strength of his convictions.

And one could not but admire, at the critical junctures, his calmness, lucidity and singlemindedness, his refusal to accept failure or incomprehension.

I hope that one day what we call the social dialogue will truly be part of the history of the European Community. And if it is, it will be to Alois Pfeiffer that we shall owe it. For he had no rival in creating the climate essential to the pursuit of an endeavour, of a venture, which many held to be impracticable.

His example will inspire us as we work on, and we shall not forget those real lessons he quietly gave us.’

1. Implementing the Single Act

From Brussels to Copenhagen

1.1.1. The European Council, meeting in Brussels on 29 and 30 June, adopted a work programme¹ for the Council and the Commission setting out general guidelines for implementing the Commission communication 'The Single Act: A new frontier for Europe'.² The European Council is to adopt its final position in Copenhagen in December.

In accordance with these guidelines and the arrangements agreed between them on 20 July, the Commission, on 4 August, sent the Council a communication on reform of the structural Funds, a proposal for a decision on the Communities' own resources system, a communication on budget discipline and a review of action taken to control the agricultural markets and the outlook for the common agricultural policy.

These proposals and communications make up a politically indivisible whole.

Reform of the structural Funds

1.1.2. Pursuant to Article 130d of the EEC Treaty (as amended by the Single European Act) and following on from the preliminary draft transmitted in April,³ the Commission sent the Council a comprehensive proposal for reforming the structural Funds.⁴ It is a proposal for a framework Regulation, on which, under the Single Act, The Council is to act unanimously within one year; the Commission will then present implementing Regulations for each Fund, which the Council will adopt by a qualified majority.

To remedy the shortcomings of the Community's present arrangements for structural assistance, the reforms proposed seek to boost the effectiveness of measures by means of better overall coordination and multiannual programming.

The Commission's plan revolves around four guiding principles that are indissolubly linked to one another: concentration of resources on a limited number of objectives; concentration on the least-favoured regions; increase in the financial resources available; rationalization of operating methods. The reform is to concentrate on five main objectives: promoting the development and structural adjustment of the less-developed regions; converting the declining industrial regions and facilitating the restructuring of declining industries; combating long-term unemployment; helping to place young people in jobs; speeding up the adjustment of agricultural structures (with the emphasis on farmers particularly hard hit by the reform of the common agricultural policy) and promoting the development of rural areas.

The concentration of resources will be of most benefit to the less-favoured regions of the Community (containing about 20% of the Community's population), those with a per capita GDP of less than 75% of the Community average, and Northern Ireland.

The ERDF resources earmarked for these regions could account for up to 80% of total appropriations; the remainder and a substantial proportion of European Social Fund assistance will complement national measures and the loans and resources raised through financial engineering operations for regions experiencing industrial decline, where the level of unemployment and the seriousness of the industrial problems will serve as the criteria of eligibility for Community assistance.

The planned reform affirms the priority of operational programmes, set up in consultation with the national and, where appropriate, the regional and local authorities, as opposed to isolated projects.

¹ Bull. EC 6-1987, point 1.1.5.

² Supplement 1/87 — Bull. EC; Bull. EC 2-1987, point 1.1.1 *et seq.*

³ Bull. EC 4-1987, point 2.1.90.

⁴ OJ C 245, 12.9.1987; COM(87) 376 final.

It embodies the objective of doubling structural Fund appropriations in real terms by 1992.

This would increase the structural Funds' share in the budget from 16% to about 25% in order to narrow the gaps in development between the north and south of the Community, which are so many obstacles in the way of arriving at a single large market.

Future financing of the Community

Own resources and budgetary discipline

1.1.3. On 4 August the Commission sent the Council and Parliament two proposals and a communication designed to provide a legislative and practical framework for the key elements of its proposal for the future financing of the Community, appearing in the paper it published in February 'The Single Act: A new frontier for Europe'.¹ These are a proposal for a Decision on the system of the Communities' own resources,² a communication on budgetary discipline³ and a second amendment to the proposal for a Council Regulation amending the Financial Regulation of 21 December 1977 applicable to the general budget of the Communities.⁴

Own resources

1.1.4. The proposal for a Decision on own resources incorporates all the basic ideas contained in February's paper,¹ namely:

- (i) including ECSC customs duties in own resources;
- (ii) ending the 10% refund to cover the cost of collecting traditional own resources;
- (iii) setting a ceiling of 1% of a harmonized VAT base;
- (iv) introducing an additional (fourth) type of resource to be based on the difference between each Member State's GNP and its harmonized VAT base.

However, it also includes the following:

(i) Within the overall limit of 1.4% of GNP, there are to be annual ceilings on the call-in rate ranging from 1.20% of GNP in 1988 to 1.30% in 1992; observance of this ceiling will be based on a strict relationship between commitment appropriations and payment appropriations throughout the period 1988-92. Within those bounds commitment appropriations must progress in orderly fashion, culminating in 1992 in a total allocation of commitment appropriations of less than 1.4% of GNP.

(ii) The present system of the harmonized VAT base will be retained, rather than replaced by the actual VAT base. Member States clearly prefer the present system, which the national administrations are used to. But greater efforts will be needed to ensure that Member States' payments are uniformly determined.

The proposed Decision also provides for the possibility of introducing an additional own resource before 1992. The Decision will in no way be prejudicial to the discussions which have yet to take place on the correction of budgetary imbalances.

It is to enter into force immediately after the last Member State to complete its ratification procedures has notified the Council accordingly. It will have effect from 1 January 1988, as agreed by the European Council.⁵

Budgetary discipline

1.1.5. Application of the arrangements introduced by the Decision of 5 December 1984⁶ having proved disappointing, the Commission has therefore suggested improvements which seek to ensure:

- (i) application of budgetary discipline to all expenditure, i.e. to both payment and commitment appropriations;

¹ Supplement 1/87 — Bull. EC; Bull. EC 2-1987, point 1.1.1 *et seq.*

² OJ C 241, 8.9.1987; COM(87) 420 final.

³ COM(87) 430 final.

⁴ COM(87) 400.

⁵ Bull. EC 6-1987, point 1.1.5.

⁶ Bull. EC 12-1984, point 1.3.1.

(ii) strict application of the principle that EAGGF guarantee expenditure must not increase faster than own resources, i.e. GNP;

(iii) growth of non-compulsory expenditure in line with the multiannual financial forecasts adopted by the budgetary authority at the beginning of each year;

(iv) tighter rules on budget management, which means revision of the Financial Regulation: the Commission has already submitted proposals to this effect (→ point 1.1.10);

(v) a commitment on the part of all the institutions involved.

The Commission's communication deals with four aspects of stricter budgetary discipline:

General principles

1.1.6. The overall ceiling of 1.4% of GNP should enable the Community to finance its development by providing a smooth growth path for the budget in terms of GNP, as set out in the multiannual financial forecasts. For payment appropriations the decision on new own resources will determine for each year an annual ceiling for the own resources which may be called in, ranging from 1.20% of GNP in 1988 to 1.30% in 1992. The ceiling for 1992 (1.30% of GNP) is lower than the overall own resources ceiling (1.40% of GNP) in order to give the Community a small safety margin which it can draw upon if need be and ensure that it will not find itself once again in the position it has been in throughout the 1980s whenever a decision has had to be taken to allow it new own resources.

Commitment appropriations will be subject to strict limits too: they will have to be kept below the 1992 ceiling of 1.4% of GNP, and a strict relationship will have to be maintained between commitment appropriations and payment appropriations.

Budgetary discipline and agriculture

1.1.7. The application of budgetary discipline to agriculture will be based on four measures:

(i) establishment of a reference framework (or guideline) for agriculture;

(ii) introduction of stabilizers for all market organizations (→ point 1.1.13);

(iii) implementation of the new financing arrangements proposed in connection with revision of the Financial Regulation and abandonment of the advances system in favour of a reimbursements system (→ point 1.1.10);

(iv) definition of what constitutes exceptional circumstances and arrangements to cater for them.

Budgetary discipline and non-compulsory expenditure

1.1.8. The application of budgetary discipline to non-compulsory expenditure (structural Funds, research etc.) should make it possible to put the political guidelines enshrined in the Single Act¹ into effect with the same strictness as now applies in the Member States, within the framework of the multiannual financial perspective.

The financial perspective will be submitted to the Council and Parliament for approval each year. It will be for the two arms of the budgetary authority to take a decision on the overall allocation of non-compulsory expenditure and to negotiate on the relative size of the increases in appropriations within the multiannual perspective. The rate of increase for non-compulsory expenditure will be determined in compliance with Article 203(9) of the Treaty.

Interinstitutional agreement

1.1.9. The Commission considers that tighter budgetary discipline presupposes a consensus between all the parties involved and that in future the budgetary procedure must unfold in an atmosphere of trust between the Council, Parliament and the Commission.

¹ Supplement 2/86 — Bull. EC.

It therefore suggests that rules governing the application of budgetary discipline to non-compulsory expenditure should be set out in a joint decision of the budgetary authority at the beginning of each year's procedure.

Financial Regulation

1.1.10. The Commission also sent the Council a second amendment to its December 1980 proposal¹ for a Regulation amending the Financial Regulation of 21 December 1977 applicable to the general budget of the Communities.² This proposal rounds off the amended proposal that the Commission addressed to the Council on 15 March 1984³ after obtaining the opinion of Parliament⁴ and the Court of Auditors⁵ on the original proposal of 1980.

These amendments constitute the key element for achieving tighter discipline and improved budget management.

The Commission's proposal covers four main points:

- (i) strengthening the principle of annuality by discontinuing automatic carryovers and restoring certain appropriations following cancellation of commitments;
- (ii) introducing a specific overall reserve to counterbalance the stricter approach to determining budget appropriations;
- (iii) changing the special provisions applicable to the EAGGF Guarantee Section so as to implement the proposals for replacing the system of advances by a system of reimbursements⁶ while ensuring tighter budgetary control by booking expenditure item by item;
- (iv) extending the role of the ECU by advocating its use as the instrument for expressing the Community's financial rights and obligations.

Review of action to control the agricultural markets and outlook for the common agricultural policy

1.1.11. On 4 August the Commission sent the Council a communication entitled

'Review of action taken to control the agricultural markets and outlook for the common agricultural policy'.⁷ This paper is a contribution to the process of reforming the common agricultural policy which has been under way for some years now, particularly since 1984, in which the discussion on the basis of the Green Paper⁸ played a crucial role. Apart from its value as an appraisal it indicates the additional features to be built in to the existing stabilizers and highlights the need to continue with the current measures.

Review of the reforms

1.1.12. The adjustments made to the common agricultural policy over recent years have been related to the following four objectives:

- (i) control of production and expenditure;
- (ii) reduction of stocks;
- (iii) preservation of the European pattern of agriculture and the outlook;
- (iv) international concerted action.

The purpose of the measures gradually being introduced is to bring production and expenditure under control. The products on which reform has been chiefly brought to bear are cereals,⁹ milk,¹⁰ oilseeds and olive oil¹¹ and beef/veal.¹² It has already shown results and helped curtail support. Unfortunately, the cost of support has been partly obscured by the existence on the Community markets of heavy stocks — the 'weight of the past'.

¹ OJ C 119, 21.5.1981; Bull. EC 12-1980, point 2.3.72.

² OJ L 356, 31.12.1977.

³ OJ C 97, 9.4.1984; Bull. EC 3-1984, point 2.3.2.

⁴ OJ C 277, 17.10.1983; Bull. EC 9-1983, point 2.3.2.

⁵ OJ C 232, 11.9.1981.

⁶ OJ C 137, 22.5.1987; Bull. EC 5-1987, point 2.1.177.

⁷ COM(87) 410 final.

⁸ Bull. EC 7/8-1985, point 1.2.1 *et seq.*; Bull. EC 12-1985, point 1.2.1 *et seq.*

⁹ Bull. EC 11-1985, point 2.1.127 *et seq.*; OJ L 139, 24.5.1986; Bull. EC 4-1986, point 2.1.107.

¹⁰ Bull. EC 12-1986, point 2.1.211 *et seq.*

¹¹ OJ L 133, 21.5.1986; Bull. EC 4-1986, point 2.1.109.

¹² Bull. EC 12-1985, point 2.1.154 *et seq.*; Bull. EC 12-1986, point 2.1.119 *et seq.*

Existing stabilizers and new machinery

1.1.13. In the light of these initial results, existing stabilizers need appropriately to be strengthened and new ones introduced for those product groups where market mechanisms do not sufficiently curb production. This is the case with protein crops, sheep-meat, wine, certain fruits and vegetables and tobacco. For beef/veal and cereals the current mechanisms should be strengthened.

The measures proposed are in line with the Commission proposals presented over the years since 1980, namely:

- (i) more restrictive pricing;
- (ii) less permanent and more restrictive intervention;
- (iii) restriction of support by the establishment of binding quotas and guarantee thresholds, strengthening producers' co-responsibility.

Another point to note is that the Commission has undertaken to let the Council have its conclusions in September on the stabilization mechanism already proposed for vegetable oils and fats¹ and on its consultations with the main parties concerned.

Other reports such as the paper on application of the milk quotas and the proposals required for implementing the proposed adjustments will be laid before the Council from next September.

Preservation of the European pattern of agriculture and the outlook

1.1.14. The Commission points out that it is in agriculture's and farmer's own interests to ensure control of production and costs. These objectives are sought by a consistent policy which shows equal concern for farming incomes, preserving family farmholdings, Community cohesion and European agriculture in the world context.

With this in mind appropriate protective measures have been proposed and adopted:

- (i) in the application of some adjustments, market mechanisms have been differentiated (exemption from certain taxes or levies, compensation);
- (ii) farm structures policy has been strengthened and amplified by adoption of two sets of measures in March 1985² and March 1987;³
- (iii) the Commission will be submitting in the autumn of 1987 a report on the future of rural areas, backed up by proposals.

External relations

1.1.15. The Commission insists that one of the conditions for the success of the changes being made is to adopt 'a firm attitude towards the outside world, which is now even more necessary because of adjustments made internally'.

The Community cannot continue, much less complete, the process of adjusting the CAP unless the Community's partners also embark resolutely on the same course and unless all producers make a joint effort to stabilize world markets.

This means that the producer countries must take steps to control their production and concert their efforts to align supply on demand. This must mean reduced support for agriculture. The Commission will not fail to make proposals based on the commitments entered into at Punta del Este,⁴ in OECD⁵ and at Venice.⁶ Early in October it will lay before the Council the main points of the position it plans to adopt in the GATT negotiations.

¹ OJ L 89, 3.4.1987; Bull. EC 2-1987, point 1.2.14.

² OJ L 93, 30.3.1985; Bull. EC 3-1985, point 2.1.111 *et seq.*

³ OJ L 167, 26.6.1987; Bull. EC 6-1987, point 2.1.180, Bull. EC 3-1987, point 2.1.176.

⁴ Bull. EC 9-1986, point 1.4.1 *et seq.*

⁵ Bull. EC 5-1987, point 2.2.42.

⁶ Bull. EC 6-1987, point 1.2.1 *et seq.*

2. Commission plan for eliminating tax frontiers within the Community

1.2.1. On 7 August the Commission sent to the Council and to Parliament a communication containing a package of proposals for doing away with tax controls at the Community's internal frontiers so as to complete the single Community market by 1992¹ (→ point 2.1.86). The proposals were drawn up in response to a request from the Council² and fit into the strategy mapped out in the White Paper on completing the internal market³ approved by the Milan European Council in June 1985.⁴ According to the White Paper, completing the internal market involves dismantling barriers of all kinds, notably tax barriers, and hence a major drive to bring systems of indirect taxation closer into line. The Single Act, which entered into force on 1 July,⁵ reaffirms this objective and lays down as a legal obligation the creation of 'an area without internal frontiers in which the free movement of goods, persons and capital is ensured'.

With a view to eliminating tax frontiers while, at the same time, causing as little disruption as possible to national policies on indirect taxation, the Commission has based itself on the following principle: approximation—to the extent necessary to do away with frontier controls—of the structure of indirect taxation in Member States in order to eliminate distortions of competition or trade.

Taken together, the measures proposed by the Commission constitute a plan for approximating the structures and rates of consumption taxes that is built around the general practice in Member States.

1.2.2. As regards VAT, the Commission is proposing adoption of a two-rate system (a standard rate and a reduced rate). To allow Member States a maximum margin of manoeuvre, a 14 to 20% band will be introduced for the standard rate and a 4 to 9% band for the reduced rate, which will apply to certain basic necessities.

The plan also involves amendments to the sixth VAT Directive that are needed to

ensure that VAT chargeable in intra-Community trade is paid in the same way as on the domestic market. As regards intra-Community trade, the removal of tax frontiers spells the end for the present system, under which goods are exempt from tax on exportation and attract tax on importation.

The Commission is also proposing a clearing mechanism to ensure that, once frontier controls have been removed, Member States will continue to receive the revenue to which they are entitled, with tax collected on export sales in one Member State being passed on the Member State in which the supplies are finally consumed. In essence, it involves a central account through which Member States will draw or pay money periodically according to whether they are net importers or exporters in the Community. Member States will calculate the amount to be paid into or drawn from the central account on the basis of the information contained in taxable persons' VAT returns.

1.2.3. The problems relating to excise duties are more complicated than those in the VAT field since not only rates but also structures differ widely between Member States. Any substantial degree of flexibility that might be allowed in respect of authorized excise duty rates will have to be examined in the light of the permissible margin for VAT rates. This is because VAT is calculated on the price of goods inclusive of excise duties. Consequently, the Commission has proposed that, as a general rule, any margin of flexibility in approximating rates should be reserved for VAT rates since these have the widest coverage and hence the largest impact on Member States' budgets.

¹ COM(87) 320 final to 328 final.

² Bull. EC 6-1986, point 2.1.9.

³ Bull. EC 6-1985, point 1.3.7.

⁴ Bull. EC 6-1985, point 1.2.5.

⁵ Bull. EC 6-1987, point 2.4.5.

In determining excise duty rates, the Commission's general approach has been to secure some measure of equity between Member States and to cause minimum disruption in each sector. The method adopted has varied according to the particular circumstances or characteristics of each sector but has, generally speaking, been based on a Community average. This approach can, of course, be given tangible expression only if common excise duty rates are applied to a harmonized structure in the Community. Proposals for Directives on the harmonization of the structure of excise duties have been before the Council since 1972 and rapid progress on them is what is needed now.

1.2.4. A timetable is also planned whereby the Community rates for VAT and excise duties would take effect not later than 31 December 1992. Member States will need to take the necessary steps in the intervening period to move towards those rates while retaining their full freedom of manoeuvre.

In addition, the Commission is putting forward a convergence proposal covering both VAT rates and the main excise duty rates that aims to ensure that Member States not only do not diverge from the overall objective between now and 1992 but actually move closer towards it. Once adopted, this proposal would be the first step by Member States towards fulfilling their legal obligations in respect of the tax aspects of the internal market. It replaces the now obsolete 'standstill' proposal currently before the Council.¹ By the same token, the Commission is withdrawing its proposal for a 14th Directive on deferred payment of VAT payable on importation.²

The Commission is aware of the social and budgetary problems to which its proposals

might give rise in some Member States and has, therefore, stressed that it would be prepared to envisage, at the request of any Member State concerned, appropriate solutions, e.g. in the form of temporary derogations not prejudicial to the main objective.

1.2.5. When presenting these proposals to the press, Lord Cockfield, Commission Vice-President with special responsibility for the internal market, stated that this plan would contribute to attainment of the Commission's fundamental objective, namely revitalizing the Community economy. He made the point that the most immediate benefits of the measures proposed would accrue to industry and commerce, which would be able to take account of the Community dimension in their marketing strategies and would not be faced with the extra costs associated with administrative formalities and with the time spent in transporting goods. For their part, individuals in the Community would be able to travel around easily without having to worry about whether they had exceeded their duty-free allowances, which are still in force, or whether they could drive their cars in a particular Member State.

*

The Commission is convinced that its proposals will contribute to the integration and growth of the Community economy and will satisfy as far as possible the legitimate concern of Member States that their economic and tax systems should not be unduly disrupted.

¹ OJ C 313, 4.12.1985; Bull. EC 11-1985, point 2.1.65, OJ C 30, 7.2.1987; Bull. EC 1-1987, point 2.1.39.

² OJ C 203, 6.8.1982; Bull. EC 6-1982, point 2.1.57.

PART TWO

ACTIVITIES IN JULY/AUGUST 1987

1. Building the Community

Economic and monetary policy

Council

2.1.1. At its economic and financial affairs meeting on 13 July the Council conducted its second-quarter examination of the economic situation in the Community (→ point 2.1.2). It also reached agreement on a proposal for a decision authorizing the United Kingdom to derogate from certain provisions of the sixth VAT Directive in order to introduce a simplified system of taxation for small and medium-sized businesses (→ point 2.1.88).

Economic situation

2.1.2. Acting on the basis of a Commission communication on the economic outlook for 1988 and budgetary policy in the Member States,¹ the Council conducted its second-quarter examination of the economic situation in the Community, in accordance with its Decision of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States.²

The Council endorsed the Commission's assessment that there was no need to adjust the economic policy guidelines for 1987 as adopted on 22 December 1986.³ Furthermore, it was of the opinion that in the event of a further slowdown in growth the measures for strengthening internal growth should be more speedily implemented, taking advantage of the interdependence among Member States.

2.1.3. On 2 July the Economic and Social Committee delivered an own-initiative opinion on the economic situation in the Community in mid-1987 (→ point 2.4.39).

European Monetary System

Strengthening the ECU

2.1.4. At the beginning of July the Commission decided to step up its drive to

promote the ECU and to use it more widely in implementing the Community budget. As a first move, it decided to include in its proposal for amendments to the Community's Financial Regulation (→ point 1.1.10) the requirement that the Community's financial claims and commitments be denominated in ECUs and instructed its departments to use the ECU both in settling and denominating transactions. The Commission's objective is eventually to see all the Community's claims and commitments denominated in ECUs, instead of in national currencies as almost all of them are at present. The size of the Community budget should allow the Commission to play its full part as a catalyst to wider use of the ECU, especially by commerce and industry.

Free movement of capital

Protective measures

2.1.5. On 31 July the Commission repealed⁴ the Decision of December 1984 authorizing Italy to maintain in force certain protective measures under Article 108(3) of the EEC Treaty.⁵

This was in response to the measures to relax exchange controls taken by the Italian authorities on 15 May,⁶ including in particular abolition of the non-interest-bearing deposit for the purchase by residents of real estate abroad or foreign securities.

Monetary Committee

2.1.6. The Monetary Committee held its 335th meeting in Brussels on 15 July, with

¹ COM(87) 297 final.

² OJ L 63, 5.3.1974.

³ OJ L 385, 31.12.1986; Bull. EC 10-1986, point 1.1.1 *et seq.*

⁴ OJ L 224, 12.8.1987.

⁵ OJ L 8, 10.1.1985; Bull. EC 12-1984, point 2.1.6.

⁶ Bull. EC 5-1987, point 2.1.4.

Mr Tietmeyer in the chair. It discussed ways of strengthening the European Monetary System, and in particular its mechanisms. It also examined the economic and financial situation in Greece following the granting of a Community loan.¹

Economic Policy Committee

2.1.7. The Economic Policy Committee held its 180th meeting ('budgets' composition) in Brussels at the end of June. The main items on the agenda were the budgetary outlook in Member States and the multiannual forecast for the Community budget. At its 181st meeting, held in Brussels on 8 July, with Mr Milleron in the chair, the Committee discussed the economic situation and outlook and undertook an economic analysis of Community agricultural policy.

Internal market and industrial affairs

Completing the internal market

Implementing the White Paper

2.1.8. At the meeting on the environment on 21 July the Council agreed in principle, by a qualified majority under Article 100a, on a common position, as provided for by the new Article 149 inserted in the Treaty by the Single European Act, on two proposals for Directives—one on gaseous emissions from private cars, the other on gaseous emissions from diesel-engined heavy commercial vehicles (→ point 2.1.169).

2.1.9. On 7 August the Commission sent the Council and Parliament a communication containing a package of proposals designed to eliminate tax checks at the Community's internal frontiers, with a

view to completing the single European market by 1992 (→ point 1.2.1 *et seq.*).

2.1.10. On 6 August the Commission put to the Council a proposal for a Directive on the control of the acquisition and possession of weapons.² Citizens would be prohibited from carrying weapons from one Member State to another unless they observe one of the procedures for informing the Member States of every weapon arriving on their territory. Adoption of this proposal would enable the Member States to end weapon checks at frontiers within the Community, by introducing rules empowering them to apply their national legislation to persons carrying weapons coming from other Community countries.

2.1.11. On 1 July the Commission sent the Council a proposal for a Directive coordinating the laws, regulations and administrative provisions relating to the application of Community rules on procedures for the award of public supply and public works contracts (→ point 2.1.21).

Free movement of persons and freedom to provide services

Freedom of broadcasting

2.1.12. In July the Economic and Social Committee gave its opinion on the proposal for a Directive on the coordination of certain provisions in the Member States relating to broadcasting (→ point 2.4.40).³

Mutual recognition of diplomas and access to occupations

2.1.13. On 1 July the Committee of Senior Public Health Officials continued

¹ Bull. EC 12-1986, point 2.1.5; Bull. EC 11-1985, point 1.3.2.

² OJ C 235, 1.9.1987; COM(87) 383 final.

³ Supplement 5/86 — Bull. EC; Bull. EC 3-1986, point 1.2.1 *et seq.*

its discussion of the measures taken by the Member States to ensure free movement and mutual recognition of diplomas for doctors, nurses responsible for general care, dental practitioners and midwives in the enlarged Community.

The Committee also exchanged information for the first time on the measures taken in the Member States to incorporate into national law the Directive of 15 September 1986 introducing specific training in general medical practice,¹ and discussed a number of legal problems arising from implementation of the Directives on freedom of movement in the professions referred to above.

Free movement of goods

Protective measures

2.1.14. With a view to the completion of the internal market and the gradual introduction of the common commercial policy, the Commission adopted on 22 July a Decision²—superseding that of 20 December 1979³—to strengthen and clarify the procedures for the authorization of surveillance and protective measures under Article 115 of the EEC Treaty.

Removal of technical and administrative barriers to trade

Industrial products

2.1.15. On 12 August the Commission sent the Council two proposals for Directives on the approximation of the laws of the Member States relating to spray-suppression devices and to lateral protection (side guards) of certain motor vehicles and their trailers.⁴

2.1.16. In July the Economic and Social Committee gave its opinion on the proposal for a Directive amending the Council

Directive of 6 February 1970 on the type-approval of motor vehicles and their trailers (→ point 2.4.41).⁵

2.1.17. The Economic and Social Committee also gave its opinion in July on the proposal for a Directive amending the Council Directive of 6 February 1970 on the EEC type-approval of motor vehicles (off-road vehicles) (→ point 2.4.41).⁶

2.1.17a. The Committee also gave its opinion on the proposal for the amendment of the Council Directive of 18 December 1976 on the approximation of the laws of the Member States relating to fertilizers.⁷

Foodstuffs

2.1.18. As required by the Council Directive of 15 July 1980 on the exploitation and marketing of natural mineral waters,⁸ which came into force on 17 July 1984, the United Kingdom has informed the Commission of additions to its list of recognized mineral waters.⁹

Industry

Shipbuilding

2.1.19. On 31 July¹⁰ the Commission sent the Council a communication entitled 'Shipbuilding—industrial, social and regional aspects' (→ point 2.1.156). This follows on from the communication sent

¹ OJ L 267, 19.9.1986; Bull. EC 7/8-1986, point 2.1.8.

² OJ L 238, 21.8.1987.

³ OJ L 16, 22.1.1980.

⁴ COM(87) 132 final.

⁵ OJ C 48, 25.2.1987, Bull. EC 2-1987, point 2.1.9.

⁶ OJ C 108, 23.4.1987; Bull. EC 4-1987, point 2.1.8.

⁷ OJ C 12, 16.1.1987; Bull. EC 12-1986, point 2.1.23.

⁸ OJ L 229, 30.8.1980.

⁹ OJ C 231, 29.8.1987; OJ C 335, 30.12.1986; Bull. EC 12-1986, point 2.1.29.

¹⁰ COM(87) 275 final.

to the Council on 16 October last year¹ and the Commission's talks with national authorities and the industry. It contains two proposals for Council Regulations, one instituting a Community programme to assist the conversion of shipbuilding areas (Renaval programme) (→ point 2.1.146), the other instituting a specific Community programme of accompanying social measures to assist workers in the shipbuilding industry who are made redundant or threatened with redundancy (→ points 2.1.132 and 2.1.156).

Businesses

2.1.20. In July the Economic and Social Committee unanimously endorsed the draft Council Resolution concerning the action programme for small and medium-sized enterprises² (→ point 2.4.43).

Improving the business environment

Public procurement

2.1.21. On 1 July the Commission put to the Council a proposal for a Directive coordinating the laws, regulations and administrative provisions relating to the application of Council rules on procedures for the award of public supply and public works contracts.³

This proposal was envisaged in the White Paper on completing the internal market⁴ and the public procurement action programme sent to the Council on 19 June 1986.⁵ One of the main objectives is to introduce a rapid redress system allowing the Commission to intervene in and, if necessary, suspend the contract award procedure.

2.1.22. At its July part-session Parliament gave its opinion⁶ on the Commission proposals⁷ amending the Council Direc-

tive of 21 December 1976 relating to the coordination of procedures on the award of public supply contracts⁸ and repealing certain provisions of the Directive of 22 July 1980.⁹ The Commission accepted many of the amendments proposed.

Business adaptability

Centres for European Business Information

2.1.23. In early July the Commission organized the first part of the training course for the 70 or so business advisers involved in the pilot network of Centres for European Business Information.¹⁰

Under this scheme, a total of 39 Centres spread across all the Member States will be opening in the autumn. This course of training for Centre managers, given by over 80 Community officials responsible for the various policies of interest to small firms, marked the first phase of the programme to set up the network.

In August each Centre was sent a stock of documents and a user manual. The second phase is scheduled for September, when a second training course will be held on the use of some of the Commission's data bases.

BC-Net

2.1.24. On 3 August the Commission sent the Council, Parliament and the Economic

¹ Bull. EC 10-1986, points 1.2.3 to 1.2.5.

² Adopted by the Council on 3 November 1986: OJ C 287, 14.11.1986; Bull. EC 10-1986, point 1.3.1 *et seq.*

³ OJ C 230, 28.8.1987; COM(87) 134 final.

⁴ Bull. EC 6-1985, point 1.3.1 *et seq.*

⁵ OJ C 173, 11.7.1986; Bull. EC 6-1986, point 1.2.1 *et seq.*

⁶ OJ C 246, 14.9.1987.

⁷ OJ C 173, 11.7.1986; Bull. EC 6-1986, point 1.2.1 *et seq.*; Bull. EC 12-1986, point 2.1.36; OJ C 161, 19.6.1987; Bull. EC 6-1987, point 2.1.18.

⁸ OJ L 13, 15.1.1977.

⁹ OJ L 215, 18.8.1980.

¹⁰ Bull. EC 4-1987, point 2.1.18.

and Social Committee a communication on strengthening cooperation between European firms.¹ The document describes, in particular, progress so far on BC-Net (the business cooperation network) and the path ahead.

The BC-Net project forms part of the small business action programme unveiled by the Commission in July 1986² and is run by the Business Cooperation Centre (BCC). It provides business advisers with a new means of finding technical, commercial, financial and subcontracting partners in other Community Member States for their clients, especially for small firms. This new computerized system developed by the BCC will offer a very fast search for the right offers of cooperation.

On 21 August a call for cooperation was published³ with a view to linking up 250 or so business advisers in the first phase.

Steel

The Community steel industry

Market management

Crisis measures

*New steel plan 1988-90*⁴

2.1.25. On 29 July the Commission adopted a communication to the Council concerning a new crisis plan for the European steel industry for the period 1988-90,⁵ thus fulfilling the undertaking given at the Council meeting on industrial affairs on 1 June to present comprehensive proposals covering all aspects of restructuring with a view to putting the industry back on a competitive footing on a lasting basis.⁶

The Commission stresses the comprehensive character of the proposals in this communication, taking the view that the indus-

trial aspects (restructuring and market regulation by means of the quota system) cannot be dealt with in isolation from the social and regional consequences of restructuring.

The Commission feels that it has a duty to ensure that reorganization proceeds in an orderly fashion and that the industry as a whole will be competitive when the production capacities have been brought into line with the market. For this reason it is not prepared to prolong the quota system, which all agree should be adapted to the current situation, unless it is underpinned by closure incentives and firm commitments on the part of the companies and governments concerned.

In view of the sharp cutback in employment, the Commission feels that it must do everything in its power to alleviate the social consequences and that its contribution in this respect should be maintained at the level of previous years despite the budgetary constraints. As far as regional aspects are concerned, a new Community programme under the ERDF is proposed in connection with the reform of the structural Funds, and in particular the objective of redeveloping declining industrial areas (known as objective No 2).

However, it is clear that, while the Community is prepared to take significant social and regional initiatives, it will be hampered in 1988 at least by the inadequacy of the resources of the structural Funds (particularly the Regional Fund) and of the ECSC operating budget. The Commission therefore feels that, until these Funds are reformed and their resources increased under Article 130d of the EEC Treaty, there is no alternative but to appeal to the Council to accept a limited transfer in 1988 from the

¹ COM(87) 370 final.

² Bull. EC 7/8-1986, point 1.3.18; Bull. EC 10-1986, point 1.3.1.

³ OJ C 224, 21.8.1987.

⁴ For the regional and social aspects of this plan, see points 2.1.146 and 2.1.34.

⁵ COM(87) 388 final.

⁶ Bull. EC 6-1987, point 2.1.19.

Community's general budget to the ECSC budget.

Production quotas

2.1.26. On 27 July the Commission adopted the definitive rates of abatement for the third quarter of 1987¹ which it had provisionally adopted on 25 May.² Since then, additional export contracts have been obtained for two products — hot-rolled wide strip (category Ia) and cold-rolled sheet (category Ib) — with the result that slight changes are proposed to the production quotas for these products and the proportions of these quotas that may be delivered in the common market. Quotas for merchant bars have proved to be rather on the low side, and to remedy this the rates for category VI have been relaxed both for production and for delivery.

The amended rates of abatement and the production quotas for the third quarter of 1987 are shown in Table 1.

Table 1 — *Definitive rates of abatement for establishing the production quotas for the third quarter of 1987*

	Production	(%) Proportion of the quota that may be delivered in the common market
Ia Hot-rolled wide strip, hoop and sheet	49	60
Ib Cold-rolled sheet	48	51
VI Merchant bars	46	43

Suspension of the production certificate and accompanying document

2.1.27. On 5 August the Commission sent to the Council for its assent and to the ECSC Consultative Committee for its opinion a draft Decision suspending the production

certificate and accompanying document introduced for the purpose of monitoring the physical movement of steel products.³ These documents now constitute a barrier to intra-Community trade and are hence impeding the establishment of the single market.

However, the documents have only been suspended, and if distortions of the market result, the Commission would be able to act quickly.

Market situation

Production

2.1.28. The Eurostat rapid reports show that Community production of crude steel — excluding Greece — amounted to 10.3 million tonnes in July, compared with 10.9 million tonnes in June (a reduction of 5.5%) and 9.87 million tonnes in July 1986 (an increase of 4.4%). The trend within the Community remains disparate. While the United Kingdom continues to record excellent results (an increase of 25%) compared with July 1986 and production in the Federal Republic of Germany also increased substantially over the same period (by 8.7%), there was little change in the production figures of the other Member States. The estimate for August is 8.59 million tonnes, i.e. some 3% more than in August 1986 but over 16% less than in July 1987.

Taking the first seven months as a whole, production by the Twelve declined by 0.9% compared with the corresponding period in 1986, output in the United Kingdom alone having expanded during this period.

The June results have been confirmed, so that the development during this period and during the first six months can be compared with the corresponding periods of the previous year. Table 2 illustrates these trends.

¹ OJ L 206, 28.7.1987.

² OJ L 136, 26.5.1987; Bull. EC 5-1987, point 2.1.30.

³ OJ L 373, 31.12.1983, Bull. EC 12-1983, points 2.1.12 and 2.1.15.

Table 2 — *Crude steel production in the Community, June 1986 — June 1987*

	1 000 tonnes				
	June 1987	% change June 1987/1986	First 6 months		% change
			1987	1986	
Belgium	857	+ 8.6	4 792	4 952	- 3.2
Denmark	46	+ 4.5	327	332	- 1.5
Germany (FR)	3 048	- 5.0	18 294	19 585	- 6.6
Spain	1 000	- 4.2	5 865	6 371	- 7.9
France	1 513	- 1.9	9 103	9 310	- 2.2
Italy	2 132	+ 9.4	11 837	11 993	- 1.3
Luxembourg	288	- 8.0	1 771	1 975	- 10.3
Netherlands	415	- 10.9	2 523	2 686	- 6.1
Portugal	63	+ 43.2	367	334	+ 9.9
United Kingdom	1 522	+ 36.3	8 751	7 448	+ 17.5
Total	10 884	+ 3.5	63 630	64 986	- 2.1

There was a fall of 2.1% during the first six months of the year compared with the same period of last year. With an increase of 18% during the first half of the year compared with the first half of 1986, the United Kingdom forged ahead of the other Member States, whose production figures declined slightly. June production in the United States increased by 11.4% compared with June 1986, while the figures for the first six months show a decline of 6.2%. Production in Japan over the same periods dropped by 3.9% and 5.4% respectively.

According to the OECD, steel production in its member countries is likely to decline again this year, but to a lesser extent than last year (by 3.5% compared with 6.3%). The decline is expected to be particularly marked in the United States (6%) and Japan (5%), whereas Community production should show a smaller decline this year (2.5%) than last year (7.5%). When the expansion in Eastern Europe, China and North Korea (5%) and Latin America is taken into account, the fall in world production should be no more than 0.3% compared with 0.7% in 1986.

Consumption

2.1.29. The development of apparent world consumption in crude steel equivalent from 1980 to 1986 is shown in Table 3.

2.1.30. External trade in steel improved during the first quarter of 1987. Compared with the first quarter of 1986, imports (excluding Greece) dropped by 23.2% and exports increased by 13.9%, mainly as a result of exports of slabs. The drop in imports is fairly general in the Community (21.3% in Germany, 29.3% in France, 17.9% in Italy, 15.8% in the United Kingdom), and affects all products.

Forward programme

2.1.31. On 28 July the Commission approved¹ the forward programme for steel for the third quarter of 1987² at the second reading, the ECSC Consultative Committee having delivered its opinion.³

¹ OJ C 208, 5.8.1987.

² Bull. EC 6-1987, points 2.1.20 to 2.1.24.

³ Bull. EC 6-1987, point 2.4.28.

Table 3 — *Apparent world consumption in crude steel equivalent, 1980-86*

	<i>million tonnes</i>						
	1980	1981	1982	1983	1984	1985	1986
Community	118.4	109.0	101.7	99.5	102.3	101.6	103.5
United States	118.4	128.2	92.2	95.9	114.7	109.3	97.6
Japan	78.8	72.3	70.0	66.3	73.9	74.0	71.0
Other industrialized countries ¹	49.3	49.1	43.3	43.1	47.8	47.4	46.9
Latin America	36.8	35.5	30.8	23.9	28.3	28.2	31.1
Asia ²	36.7	43.0	44.0	45.1	47.0	50.7	55.0
Other developing countries	27.6	28.4	27.4	28.7	27.0	27.6	26.1
Soviet Union and Eastern Europe	209.6	205.1	203.8	208.5	210.4	211.3	218.0
China and North Korea	49.5	45.3	48.1	57.0	63.9	79.0	80.5
Total	725.1	715.9	661.3	668.0	715.3	729.1	729.7

¹ Other European countries, Canada, Oceania and South Africa.

² Except Japan, China and North Korea.

Social measures

Alternative employment for workers in the steel industry

2.1.32. The Commission has laid down new procedures and conditions for the granting of conversion loans¹ under Article 56(2)(a) of the ECSC Treaty for investments which create alternative employment opportunities for redundant workers in the coal or steel industries.

Since 1977 in particular,² it has been implementing a policy of creating jobs and revitalizing the economy in the areas affected by the contraction of ECSC activity and employment. To this end the Commission grants loans subject to borrowing facilities. In order to boost the effectiveness of this instrument, it may, within the limits of the available budgetary resources, reduce the cost of interest on these loans using resources set aside for this purpose. In the light of how the situation has developed and the persisting crisis, the Commission has made improvements to its conversion policy, in particular by designating employment areas in which simplified procedures can be applied.

2.1.33. The Commission authorized Mr Manuel Marín, Vice-President with special

responsibility for social affairs and employment, to adopt and sign bilateral agreements with Spain and Portugal setting out the details of redeployment aid that may be granted under Article 56(2)(b) of the ECSC Treaty to workers affected by the restructuring programmes for the steel industry in Spain and for all ECSC industries in Portugal. These agreements will be of the same type as those applying in other Member States and will be backdated to 1 January 1986, the date of accession. Some 22 000 workers in the Spanish steel industry would qualify for Community aid, for which the provisional budget is 89 million ECU over five years; 2 500 Portuguese workers also stand to benefit from aid totalling an estimated 8 million ECU.

Social back-up measures

2.1.34. As part of the Commission's comprehensive proposals for the steel industry for 1988-90 (→ point 2.1.25), a number of social measures are proposed, in addition to conventional redeployment aid, to assist the 50 000 workers who will be affected by restructuring. These measures will be financed by transferring 50 million ECU

¹ OJ C 173, 1.7.1987.

² OJ C 178, 27.7.1977.

from the general budget to the ECSC budget in 1988, pending the reform of the structural Funds under Article 130d of the EEC Treaty.

Trade with non-member countries

Imports

Autonomous measures

2.1.35. Following trade negotiations with Yugoslavia, three protocols were initialled on 10 July (→ point 2.2.33), one of which provides for Spain and Portugal to become contracting parties to the agreement between the ECSC Member States and Yugoslavia. As a result, Yugoslav exports of industrial products will be subject to preferential rates from now until 1993.

2.1.36. Imports of ferro-silicon into the Community having reached the ceiling specified in the Cooperation Agreement between the ECSC Member States and Yugoslavia,¹ the Commission decided on 10 July to reintroduce customs duties on imports of this product from Yugoslavia in the light of the situation on the Community market.²

2.1.37. As the same was true of certain Yugoslav ferro-alloys, the Commission also reintroduced customs duties on these products on 5 August.³

2.1.38. In the context of Community supervision in 1987 with regard to imports of iron or steel sheet or plates from Yugoslavia, the Commission established that the ceiling for these products has been reached, and customs duties were therefore reintroduced with effect from 3 July.⁴

2.1.39. In addition, imports into the Community of the tubes and piped listed in CCT heading No 73.18 also having reached the ceiling specified in the Agreement, the Commission decided on 24 July to reintroduce customs duties on imports of these products from Yugoslavia.⁵

2.1.40. The Commission initiated an anti-dumping proceeding concerning imports of certain iron or steel sections from Yugoslavia and Turkey.⁶ It is alleged that the prices charged undercut those of Community products by 23%. Imports have risen from 7 000 tonnes in 1983 to 144 000 tonnes in 1986, raising the market share of Yugoslavia and Turkey from 0.5% to 6.1%. The countries most affected are the Federal Republic of Germany (where market penetration has reached 16.4%), Belgium and Luxembourg (8.1%) and Italy (6.3%).

2.1.41. On 28 July the Commission decided to introduce a provisional anti-dumping duty on imports of certain iron or steel sheets and plates from Mexico.⁷

2.1.42. It also imposed a provisional anti-dumping duty on 6 August on imports of ferro-silicon from Brazil, and accepted undertakings offered by Italmagnesio SA of Brazil and from Promsyrio-Import in the Soviet Union.⁸

2.1.43. The Commission also gave notice in two cases of the expiry of certain anti-dumping measures concerning hematite pig-iron⁹ and certain iron or steel sheets and plates¹⁰ from Brazil.

The Commission authorized the Member States to introduce intra-Community surveillance of trade in certain steel products from Eastern Europe, the Soviet Union and North Korea until the end of the year.¹¹

On 14 July it authorized the Governments of Belgium, the Netherlands and Luxembourg to suspend imports in 1987 from other Member States of various ECSC prod-

¹ OJ L 41, 14.2.1983; OJ L 377, 31.12.1986; OJ L 380, 31.12.1986.

² OJ L 192, 11.7.1987.

³ OJ L 216, 6.8.1987.

⁴ OJ C 172, 20.6.1987.

⁵ OJ L 206, 28.7.1987.

⁶ OJ C 216, 14.8.1987.

⁷ OJ L 207, 29.7.1987.

⁸ OJ L 219, 8.8.1987.

⁹ OJ C 178, 7.7.1987.

¹⁰ OJ C 193, 22.7.1987.

¹¹ OJ L 201, 22.7.1987.

ucts from Bulgaria, Hungary, Czechoslovakia, the German Democratic Republic and the Soviet Union.

2.1.44. As the Federal Republic of Germany and the Benelux countries are encountering particular supply problems regarding special electrical sheets and plates on the Community market, the Commission decided¹ on 29 July to extend until 31 December 1987 the applicants' authorization to import 1 500 and 500 tonnes respectively of these sheets and plates duty-free.²

2.1.45. On 29 July the Commission decided¹ to derogate from the recommendation concerning an increase in the protective duty on certain iron and steel products at the external frontiers of the Community.³ As supply does not match demand, the Commission has authorized the Federal Republic of Germany, the Benelux countries and France to import a zero-duty tariff quota of special wire rod for the manufacture of valve springs.

2.1.46. In accordance with the Decision applying generalized tariff preferences in 1987 to imports of certain iron and steel products from the developing countries,⁴ the Commission established⁵ that imports of angles, shapes and sections and of sheet piling from South Korea have reached the Community ceiling. Consequently, it decided that 4 August 1987 should be the common date for reintroducing normal customs duties throughout the Community.

2.1.47. On 29 July the Commission also decided on a further derogation in respect of the developing countries, granting them tariff concessions.¹

2.1.48. The Representatives of the Governments of the Member States meeting within the Council,⁶ acting on a Commission proposal,⁷ adopted a Decision on 11 August laying down the arrangements for trade between Spain and Portugal on the one hand and Algeria, Egypt, Jordan, Lebanon and Tunisia on the other in products falling under the ECSC Treaty.

Research and technology

Community R&D policy

New framework programme (1987-91)

2.1.49. On 23 July the Council adopted a common position on the proposal from the Commission for a framework programme in the field of research and technological development (1987-91),⁸ which had been discussed at the Council meetings of 21 October⁹ and 9 December 1986¹⁰ and 24 February¹¹ and 24 March¹² of this year without agreement being reached. The Council's position is based on the compromise to which 10 of the 12 delegations agreed in March and which set the appropriation for new programmes under the 1987-91 framework programme at 5 396 million ECU. The amount to be allocated to this programme is now provisionally set at 4 979 million ECU, pending a further decision to be taken by the Council, acting unanimously on the possible addition of the remaining 417 million ECU.

The 1987-91 framework programme will not, of course, be formally adopted until Parliament has delivered its opinion on the Council's common position.

2.1.50. On 21 July, pending a final decision on the framework programme as a whole, the Commission decided to adopt a series of eight proposals for regulations concerning specific programmes: phase II of the Esprit programme (→ point 2.1.65), the

¹ OJ L 238, 21.8.1987.

² OJ L 192, 11.7.1987; OJ L 195, 16.7.1987, Bull. EC 6-1987, point 2.1.31.

³ OJ L 8, 22.1.1964; OJ L 285, 7.10.1981.

⁴ OJ L 373, 31.12.1986.

⁵ OJ C 207, 4.8.1987.

⁶ OJ L 250, 1.9.1987.

⁷ Bull. EC 6-1987, point 2.2.16.

⁸ OJ C 275, 31.10.1986; Bull. EC 7/8-1986, point 1.2.1 *et seq.*

⁹ Bull. EC 10-1986, point 2.1.33.

¹⁰ Bull. EC 12-1986, point 2.1.65.

¹¹ Bull. EC 2-1987, point 2.1.30.

¹² Bull. EC 3-1987, point 2.1.39.

Delta, Drive and AIM programmes (→ points 2.1.67 to 2.1.69), thermonuclear fusion (→ point 2.1.55), the Brite programme (→ point 2.1.59), radiation protection (→ point 2.1.61), and access to major research installations (→ point 2.1.62).

Coordination of national policies

2.1.51. Meeting in Brussels on 2 July, the Scientific and Technical Research Committee approved and authorized the distribution of the annual report on the financing of research and technological development (RTD) in the Member States (analysis by objective for 1980-86). The report reveals that between 1981 and 1984 there was a moderate increase in the public financing of RTD as a proportion of gross domestic product in the Community and in the United States but little change in Japan.

The Committee also held a brief exchange of views on the Commission's new guidelines for the management of Community RTD programmes, which are aimed at achieving better coordination, simplification and speeding-up of the procedures, together with harmonization of contracts.

International cooperation

2.1.52. On 29 July Mr Karl-Heinz Narjes, Vice-President of the Commission, and Mr Daniel Molgat, Canadian Ambassador to the Community, signed two agreements for cooperation in scientific research concerning the health and environmental effects of radiation and the processing of complex sulphide minerals.

Framework agreements

EFTA countries

2.1.53. The Joint Committee set up under the framework agreement for scientific and technical cooperation between the Community and Switzerland¹ held its second meeting² in Berne on 7 July. It briefly reviewed the latest R&D developments on

both sides and took stock of existing cooperation in the fields of climatology, research on wood as a renewable raw material and medical research. The Committee also examined in details the progress achieved in preparing the practical implementation of cooperation between Switzerland and the Community in the fields covered by the Community scientific and technical research programmes.

COST

2.1.54. A number of memoranda of understanding were signed in July: on 3 July, that in COST project 216 (Optical switching and routing devices) by the Netherlands; on 9 July, those on COST projects B1 (Criteria for the choice and definition of healthy volunteers and/or patients for phase I and II studies in drug development) and 308 (Vessel maintenance management) by the Netherlands also on 9 July, that on COST project 88 (Early detection and identification of plant diseases) by Spain; on 14 July, that on COST project 306 (Automatic transmission of transport data) by the Community; on 23 July, that on COST project 218 (Materials science and reliability of optical fibres and cables) by the Community and that on COST project 73 (Weather radar networking) by Denmark; and 28 July, that on COST project 213 (Electronically steered antennas for future satellite and terrestrial communications in the 1990s) by Spain.

Sectoral R&D

Energy

Nuclear fusion energy

2.1.55. On 28 August the Commission transmitted to the Council a proposal for a Regulation adopting a research and training

¹ OJ L 313, 22.11.1985; Bull. EC 11-1985, point 2.1.183; Bull. EC 1-1986, point 2.1.25.

² First meeting: Bull. EC 7/8-1986, point 2.1.38.

programme (1987-91) in the field of controlled nuclear fusion.¹ In order to ensure continuity and stability of Community research on fusion, the new programme, in conformity with the principle applied hitherto, will overlap with the last two years of the current programme (1985-89).²

The 1987-91 programme will make it possible to continue the research work carried out with JET (Joint European Torus) and the other experimental devices currently in operation and to explore the possibilities offered by plasma confinement methods other than those used in the tokamaks; it is also planned to undertake the detailed design of the future NET (Next European Torus) device and to develop the necessary technology for its construction.

The amount needed for the programme is estimated at 911 million ECU, of which 533 million will be allocated to the general programme and 378 million to JET.

In connection with this proposal for a new programme, the Commission also sent to the Council on 28 August a proposal for a Decision approving amendments to the Statutes of the JET Joint Undertaking, with a view to continuing it until 31 December 1992, together with a communication on the environmental impact and economic prospects of fusion.³

Nuclear fission energy

Radioactive waste

2.1.56. On 31 July the Commission sent the Council, Parliament and the Economic and Social Committee a communication on the present situation and prospects in the field of radioactive waste management in the Community.⁴ Appended to the communication was the second report on this subject, which updates and supplements the first report, presented in 1983;⁵ it also provides, for the first time, information on Spain and Portugal.

The communication is in response to the Council resolution of 18 February 1980,⁶

on the implementation of a Community plan of action in the field of radioactive waste (1980-92). In the light of the results of its analysis, the Commission draws the Council's attention to two main points: the immediate priority that must be accorded to the opening-up of permanent disposal sites in the interest of rigorous waste management—this being an important element from the standpoint of safety and environmental protection; and the importance of continuing the Community action with regard to research and development, the encouragement of technical cooperation between Member States and the provision of information to the public.

Non-nuclear energy

2.1.57. On 28 August a Franco-German agreement for cooperation on a research project in the field of geothermal energy was signed at Soultz, Alsace, in the presence of representatives of the Commission, which is part-financing the project under the research programme on non-nuclear energy (1985-88).²

The underground formations in the Soultz/Forêts area in northern Alsace possess very unusual thermal properties: the temperature there can exceed 50 °C at a depth of 500 metres (as compared with 20 °C in a thermally normal area) and 110 °C at a depth of 1 000 metres. Recent studies have, however, revealed that it is impossible to exploit this energy potential by means of the traditional method, which makes use of the groundwater. At Soultz, the water tables are too close to the surface and it is only in the granite base at a depth of 2 000 metres that there could be any hope of obtaining the temperatures required for cost-effective exploitation (150 to 200 °C). On the other hand, consideration is being given to exploi-

¹ OJ C 247, 15.9.1987; COM(87) 302 final.

² OJ L 83, 25.3.1985; Bull. EC 12-1984, points 1.7.1 and 1.7.2.

³ COM(87) 302 final.

⁴ COM(87) 312 final.

⁵ Bull. EC 5-1983, point 2.1.157.

⁶ OJ C 51, 29.2.1980.

tation based on the principle of 'hot dry rocks', which consists in extracting the heat from the substrata by installing an artificial circuit for water circulation.

The objective of the Franco-German project is to determine the feasibility of exploitation on the basis of this principle at Soultz/Forêts. It is financed by the Commission, the German Ministry of Research, the Agence française pour la maîtrise de l'énergie (AFME), the Bureau de recherches géologiques et minières (BRGM) and from capital contributed by the other partners.

2.1.58. On 1 August, under the non-nuclear energy R&D programme,¹ the Commission published² a call for research proposals from persons and undertakings in the Community interested in concluding cost-sharing R&D contracts in the fields covered by the following subprogrammes, for each of which the available Community appropriations amount 1.5 million ECU: energy conservation (cost-effective ceramic solid oxide fuel cells); production and utilization of new energy vectors (direct coal liquefaction processes).

Industry

New technologies

Brite programme

2.1.59. On 29 July the Commission sent the Council a communication³ accompanied by a proposal for a Decision concerning the revision of the multiannual research and development programme in the fields of basic technological research and the application of new technologies (Brite) (1985-88).¹ In it, the Commission proposes an increase of 60 million ECU in the allocation for the execution of the programme so as to be able to adopt a greater number of the high-quality proposals submitted in connection with the second phase of the programme, to accentuate the industrial character of the programme by giving priority to projects involving at least two independent indus-

trial organizations established in different Member States, and to extend the programme to include the EFTA countries.

Industrial technologies

2.1.60. From 1 to 3 July, in Genoa, the Commission held the first European workshop on high-temperature superconductor materials and their applications. The purpose of the meeting, which was attended by over 500 scientists, was to take stock of the results recently obtained in the field—that is to say, a spectacular increase in the temperature at which certain materials exhibit the property of superconductivity (zero resistance to the passage of electric current).

For many years, it had been possible to achieve superconductivity only at very low temperatures of around $-260\text{ }^{\circ}\text{C}$. Recent research work has indicated that it may be possible to achieve it at less extreme temperatures below zero ($-180\text{ }^{\circ}\text{C}$), i.e. under conditions that are technologically, and hence economically, more attractive: that discovery is likely to lead to applications in such fields as electronics, transport, medical imaging, etc. On the basis of the results of the workshop, the Commission is currently studying how best to incorporate these recent developments in its research programme.

Health and safety

Radiation protection

2.1.61. On 30 July the Commission sent the Council a proposal for a Decision⁴ revising the multiannual research and training programme in the field of radiation protection (1985-89).¹ It is proposed that the programme budget be increased by 10

¹ OJ L 83, 25.3.1985; Bull. EC 12-1984, points 1.7.1 and 1.7.2.

² OJ C 205, 1.8.1987.

³ OJ C 238, 4.9.1987; COM(87) 307 final.

⁴ COM(87) 332 final.

million ECU for research on the short- and long-term effects of nuclear accidents such as that which occurred at the Soviet power station in Chernobyl in 1986.¹

Improvement of European scientific and technical cooperation

2.1.62. On 23 July the Commission adopted,² for transmission to the Council, a communication accompanied by a proposal for a Decision concerning a Community plan of support (1988-92) to facilitate access to large-scale scientific facilities of interest to Europe. The objective of the plan is to optimize utilization of the large-scale scientific facilities available in the Community (particle accelerators, astronomical observatories, oceanographic vessels, etc.) by providing Community support for measures designed to render them more highly specialized—and hence more complementary—than at present and by facilitating access to these facilities by research workers from all over the Community. The amount considered necessary to implement this support plan is 30 million ECU.

Telecommunications, information technology and innovation

Telecommunications

RACE

2.1.63. On 1 July the the Commission published³ a call for tenders for the RACE programme, as provided in the proposed Regulation it presented to the Council on 29 October 1986.⁴ The availability of proposals under the reserve list will allow projects to be selected without delay as soon as the RACE programme is formally adopted. There will be further calls for tender at later stages of the programme.

Public pan-European digital mobile communications

2.1.64. At its July session the Economic and Social Committee gave its opinion on the proposals for a recommendation and a directive designed to speed the development of public pan-European digital mobile communications in the Community (→ point 2.4.44).⁵

Information technology

Esprit

2.1.65. On 29 July the Commission sent the Council a proposal for a Regulation on the adoption of the second phase of the European strategic programme for research and development in information technologies (Esprit) for the period up to 31 December 1992.⁶ This proposal takes account of the resolution adopted by the Council in April 1986⁷ following the mid-term review of the first phase of Esprit⁸ and is based on the technical data provided in that phase and described in the Commission's communication to the Council of 8 December 1986.⁹

Funding is in accordance with the common position adopted on 23 July concerning the Community framework programme for research and technological development (1987-91) (→ point 2.1.49). This means that 1 600 million ECU from the Community budget will be available for the programme, plus a further 190 million ECU remaining from the first phase for the first two years, 1987 and 1988. This compares with an appropriation of only 750 million ECU for the first phase of the programme. Since the

¹ Bull. EC 5-1986, point 1.1.1 *et seq.*

² COM(87) 319 final.

³ OJ C 173, 1.7.1987.

⁴ OJ C 304, 28.11.1986; Bull. EC 10-1986, point 2.1.44.

⁵ OJ C 69, 17.3.1987; Bull. EC 2-1987, point 2.1.38.

⁶ COM(87) 313 final.

⁷ OJ C 102, 29.4.1986; Bull. EC 4-1986, point 2.1.25.

⁸ OJ L 67, 9.3.1984; Bull. EC 2-1984, point 1.3.1 *et seq.*

⁹ Bull. EC 12-1986, point 2.1.74.

Community contributes on average 50% of the cost of the projects, some 3 600 million ECU will therefore be available to the programme, which will involve as many as 5 000 researchers working on several hundred industry-oriented projects.

Combined use of IT and telecommunications in general applications

2.1.66. Apart from Esprit, three of the eight actions under the framework programme for research and technological development (1987-91), on which the Council adopted a common position on 23 July (→ point 2.1.49), are set to have a major influence on the Community's ability to stand up to international competition in the development and application of information technology. The three programmes, for which the Commission has put forward specific proposals, are Delta, Drive and AIM.

Delta

2.1.67. On 12 August the Commission sent the Council a proposal for a Regulation on the pilot phase of a Community action in the field of learning technology, known as Delta (Developing European learning through technological advance).¹

Delta's main aim is to identify future advances in technology and communications and to exploit these developments for learning purposes by allocating additional R&D funding. The programme accordingly seeks to harmonize the development of multi-media teaching systems and equipment in industry and the universities, thus providing the Community ultimately with competitive learning support systems and facilities.

The pilot phase will last 18 months and will involve 300 research workers annually. The Community is to provide half of the funding on average, allocating 20 million ECU over the life of the programme (1987-91).

Drive

2.1.68. On 7 August the Commission sent the Council a proposal for a Regulation on the adoption of a Community programme on information technology in the field of road transport, known as Drive (Dedicated road infrastructure for vehicle safety in Europe).²

The purpose of this programme is to achieve significant advances in terms of the efficiency of road transport, to diminish its impact on the environment and to bring about a dramatic improvement in road safety by exploiting the new opportunities offered by the computerization of road transport. A particular concern of the Drive programme will be to ensure that the efforts by the automobile industry to develop an 'intelligent car' are matched by efforts to establish an 'intelligent infrastructure'.

The proposed overall Community contribution of 60 million ECU will provide 50% of the funding for R&D projects involving 300 man-years of work.

AIM

2.1.69. On 13 August the Commission sent the Council a proposal for a Regulation on a Community action in the field of information technology and telecommunications applied to health care, known as AIM (Advanced informatics in medicine in Europe).³

The purpose of the programme, which supplements the medical and biotechnology research programmes, is to promote and support the development of computer applications in medicine and bio-informatics, thereby creating an infrastructure which is geared to progress in the fields of health care and biotechnology. An amount of 20 million ECU is to be allocated to this programme for 1987-91.

¹ COM(87) 353 final.

² COM(87) 351 final.

³ COM(87) 352 final.

Tedis programme

2.1.70. On 9 July Parliament gave its opinion¹ on the proposal for a Regulation introducing the preparatory phase of a Community programme on Trade electronic data interchange systems (Tedis).² Since Parliament considered that such a system could help to overcome the disadvantages suffered by some companies or bodies located in remote or peripheral areas of the Community, it asked the Commission to ensure the maximum possible coordination between Tedis and other Community activities, particularly in the field of standardization.

Promotion of information services

Information services market

2.1.71. On 4 August the Commission sent the Council a communication, together with a proposed decision, concerning the formulation at Community level of a policy and a plan of priority actions for the development of an information services market.³ The object is to enable Europe to counteract the weakening of its position on the world information market which is associated with the advent of electronic services and, more generally, with the changing face of the information economy. It also constitutes a response to the wishes expressed by the European Council at its meeting on 29 and 30 March 1985⁴ and a follow-up to the Commission paper of 26 November 1985.⁵

The Commission has defined four major Community objectives:⁵

- (i) to establish an internal market for information services by 1992;
- (ii) to stimulate and strengthen the competitive capability of European suppliers of information services;
- (iii) to promote the use of advanced information services;

(iv) to reinforce the joint efforts to achieve internal and external cohesion in the Community with regard to information services.

In order to meet these objectives the Commission has drawn up an action plan designed:

- (i) to provide strategic information about world and European information markets and industries, through the creation of a European information market observatory;
- (ii) to eliminate technical, legal and administrative barriers to information flow;
- (iii) to enhance the synergy between the public and private sectors;
- (iv) to launch a number of pilot and demonstration projects from the private sector in order to stimulate the development of the information industry; for this purpose the Commission published a call for declarations of interest on 25 July.⁶

Areas to receive special attention include the library sector, with a view to encouraging interconnection and the application of new technologies, user access to existing information services and the promotion of Community information services in collaboration with the Member States.

The plan of action is to be implemented in two stages; the first, preparatory, phase has a budget of 35 million ECU. The Commission will evaluate the results obtained during this first phase and present to the Council specific proposals for the further implementation of the action plan up to 1992.

*

2.1.72. On 17 July the Commission sent the Council and Parliament the annual report for 1985/86 on data processing at the Commission.⁷

¹ OJ C 246, 14.9.1987.

² OJ C 2, 6.1.1987; Bull. EC 12-1987, point 2.1.75.

³ OJ C 249, 17.9.1987, COM(87) 360 final

⁴ Bull. EC 3-1985, point 1.2.4.

⁵ Bull. EC 11-1985, point 2.1.45.

⁶ OJ C 196, 25.7.1987.

⁷ COM(87) 306 final.

The report announces some encouraging results, in contrast to the anxieties expressed in the previous report. In particular, funding and staffing levels were increased and the choice of computer architecture options, in particular the 'multi-vendor' environment and compliance with common standards, proved to be justified. The year was marked by a dramatic upsurge in demand from several Commission departments; it will be necessary to meet that demand at a reasonable pace on the basis of longer-term planning. At the same time growing importance and priority was attached to training and to questions of quality and security.

The main topics discussed in the report are:

- (i) the extension and enhancement of the computer architecture;
- (ii) the present capabilities of the data transmission network;
- (iii) the development of new office automation services through the installation of local or personal computers;
- (iv) the development of applications.

Customs union and indirect taxation

Customs union

General legislation

Customs debt

2.1.73. On 13 July, on a proposal from the Commission,¹ the Council formally adopted a Regulation on customs debt² which it had approved in June.³

Customs procedures with economic impact

2.1.74. On 31 July the Commission adopted a Regulation⁴ amending certain provisions of the Regulations⁵

implementing the arrangements for temporary importation,⁶ processing under customs control⁷ and inward processing⁸ so that the single administrative document may be used.

Temporary importation

2.1.75. On 13 July, on a proposal from the Commission,⁹ the Council formally adopted a Regulation on the temporary importation of containers¹⁰ which it had approved in June.¹¹

Outward processing and standard exchange

2.1.76. On 31 July the Commission adopted a Regulation¹² laying down provisions for the implementation of the Council Regulation of 24 July 1986 on outward processing relief arrangements and the standard exchange system.¹³ These provisions concern the general conditions for authorizing use of the arrangements, the particular conditions for issuing the authorization referred to in Article 3(1) of the 1986 Regulation, the formalities for entry of goods for the arrangements, the conditions for authorization to use the arrangements, the implementation of commercial policy measures, the list of charges of which no account is to be taken in the calculation of the amount to be deducted referred to in Article 13(2) of the 1986 Regulation and the formalities to be observed when use of the standard exchange system with prior importation is authorized. The Regulation

¹ OJ C 261, 29.9.1984; Bull. EC 9-1984, point 2.1.24.

² OJ L 201, 22.7.1987.

³ Bull. EC 6-1987, point 2.1.61.

⁴ OJ L 215, 5.8.1987.

⁵ OJ L 171, 29.6.1984; OJ L 331, 19.12.1984; OJ L 351, 12.12.1986.

⁶ OJ L 376, 31.12.1982; Bull. EC 12-1982, point 2.1.31.

⁷ OJ L 272, 5.10.1983; Bull. EC 9-1983, point 2.1.27.

⁸ OJ L 188, 20.7.1985; Bull. EC 7/8-1985, point 2.1.40.

⁹ OJ C 4, 7.1.1984; Bull. EC 12-1983, point 2.1.26.

¹⁰ OJ L 196, 17.7.1987.

¹¹ Bull. EC 6-1987, point 2.1.62.

¹² OJ L 230, 17.8.1987.

¹³ OJ L 212, 2.8.1986; Bull. EC 7/8-1986, point 2.1.51.

also lays down methods of administrative cooperation for the uniform application of the economic conditions.

Inward processing

2.1.77. On 31 July the Commission adopted a Regulation¹ amending the Council Regulation of 24 November 1986² laying down provisions for the implementation of the Regulation of 16 July 1985 on inward processing relief arrangements.³ The new Regulation simplifies the use of the arrangements to some extent and adapts the existing procedure for exchange of information to enable the customs authorities of the Member State where release for free circulation is authorized to collect the total amount of import duties resulting from this release for free circulation.

2.1.78. On 7 August the Commission adopted a Regulation⁴ amending Annex IV to the Regulation of 24 November 1986² to include particular provisions for durum wheat falling within subheading 10.01 B II of the Common Customs Tariff.

Common Customs Tariff

Nomenclature

2.1.79. For the purpose of ensuring uniform application of the CCT nomenclature, the Committee on CCT Nomenclature issued an explanatory note to heading No 69.02⁵ and reached agreement on the classification of certain goods in subheadings 07.01 D I and 22.07 B II a).⁶

Tariff and statistical nomenclature

2.1.80. On 23 July, acting on a proposal from the Commission,⁷ the Council adopted a Regulation on the tariff and statistical nomenclature and on the Common Customs Tariff.⁸ This Regulation is extremely important, not only because it introduces the combined tariff and statistical nomenclature (CN) and the integrated Community tariff (Taric), but also because

it states clearly what is to be understood by the term 'common customs tariff' within the meaning of Article 9 of the EEC Treaty and because it gives a complete, structured definition of the respective responsibilities of the Council and the Commission for tariff and statistical matters. In particular, the Regulation gives the Commission responsibility for amending Community legislation which includes the former CCT and Nimexe nomenclatures to adapt it to the CN. This will involve changes to some 800 Council or Commission regulations by the end of this year.

The Regulation further provides for the Commission to be assisted in the day-to-day management of all questions related to the application of the CN by a management committee, replacing the former regulatory committee, which will enable these matters to be dealt with more efficiently, particularly by speeding up the decision-making procedure.

2.1.81. On 1 July the Economic and Social Committee adopted an opinion on the above proposal for a Regulation (→ point 2.4.45).⁷

2.1.82. On 2 July the Commission sent the Council a proposal⁹ for a Regulation on the application of the combined nomenclature to the statistics of trade between Member States and amending the Council Regulation of 24 June 1975 on the external trade statistics of the Community and statistics of trade between Member States.¹⁰ The proposed Regulation is needed to extend the Regulation adopted by the Council on 23 July establishing the tariff and statistical nomenclature known as the 'combined nomenclature' (→ point 2.1.80) to cover

¹ OJ L 215, 5.8.1987.

² OJ L 351, 12.12.1986, Bull. EC 11-1986, point 2.1.67.

³ OJ L 188, 20.7.1985, Bull. EC 7/8-1985, point 2.1.40

⁴ OJ L 219, 8.8.1987.

⁵ OJ C 181, 9.7.1987.

⁶ OJ C 222, 19.8.1987.

⁷ OJ C 154, 12.6.1987; Bull. EC 5-1987, point 2.1.58.

⁸ OJ L 256, 7.9.1987.

⁹ OJ C 185, 15.7.1987, COM(87) 308 final

¹⁰ OJ L 183, 14.7.1975.

intra-Community trade, and must therefore enter into force on the same date, i.e. 1 January 1988. Until the single market is completed, the same nomenclature must still apply to all Member States' trade. The combined nomenclature will apply from 1 January 1988 to intra-Community trade as well and will offer the same administrative advantages in that field as in the field of trade with non-member countries.

Economic tariff measures

Tariff quotas

2.1.83. In July the Council adopted two Regulations opening, allocating and providing for the administration of tariff quotas for the following products:

- (i) processing work in respect of certain textile products under Community outward processing arrangements;¹
- (ii) herring, fresh or chilled, falling within CCT subheading ex 03.01 B I a) 2 aa), originating in Sweden.²

2.1.84. On 20 July the Council amended³ its Regulations of 17 November 1986,⁴ 16 December 1986⁵ and 22 December 1986⁶ opening, allocating and providing for the administration of Community tariff quotas for fish and fish fillets originating in Norway or Sweden.

Origin

2.1.85. On 4 August the Council adopted a Regulation⁷ revising the amounts for the documentary requirements in its Regulation of 24 February 1986 concerning the definition of the concept of 'originating products' and methods of administrative cooperation in the trade between the customs territory of the Community, Ceuta and Melilla and the Canary Islands.⁸

Indirect taxes

2.1.86. On 7 August the Commission presented to the Council and to Parliament a

communication accompanied by a set of proposals for Directives aimed at removing intra-Community tax frontiers (→ point 1.2.1 *et seq.*). The proposals are concerned with:

- (i) supplementing the common system of value-added tax and amending the Directive of 17 May 1977⁹ — Approximation of VAT rates;¹⁰
- (ii) supplementing the common system of value-added tax and amending the Directive of 17 May 1977⁹ — Removal of tax frontiers;¹¹
- (iii) instituting a process of convergence of rates of value-added tax and excise duties;¹²
- (iv) harmonizing taxes on cigarettes;¹³
- (v) harmonizing taxes on manufactured tobacco other than cigarettes;¹⁴
- (vi) approximating the rates of excise duty on mineral oils;¹⁵
- (vii) approximating the rates of excise duty on alcoholic beverages and on the alcohol contained in other products.¹⁶

Also included was a draft proposal on the introduction of a VAT clearing mechanism for intra-Community sales.¹⁷

Turnover taxes

2.1.87. On 6 July the Commission amended¹⁸ its proposal for a 19th Council

¹ OJ L 202, 23.7.1987.

² OJ L 215, 5.8.1987.

³ OJ L 203, 24.7.1987.

⁴ OJ L 325, 20.11.1986; Bull. EC 11-1986, point 2.1.71.

⁵ OJ L 375, 31.12.1986, Bull. EC 12-1986, point 2.1.89.

⁶ OJ L 377, 31.12.1986; Bull. EC 12-1986, point 2.1.89.

⁷ OJ L 218, 7.8.1987.

⁸ OJ L 56, 1.3.1986; Bull. EC 2-1986, point 2.1.59.

⁹ OJ L 145, 13.6.1977.

¹⁰ OJ C 250, 18.9.1987, COM(87) 321 final.

¹¹ OJ C 252, 22.9.1987, COM(87) 322 final.

¹² OJ C 250, 18.9.1987; COM(87) 324 final.

¹³ OJ C 251, 19.9.1987; COM(87) 325 final.

¹⁴ OJ C 251, 19.9.1987; COM(87) 326 final.

¹⁵ OJ C 262, 1.10.1987, COM(87) 327 final.

¹⁶ OJ C 250, 18.9.1987, COM(87) 328 final.

¹⁷ COM(87) 323 final.

¹⁸ COM(87) 315 final.

Directive¹ on the harmonization of the laws of the Member States relating to turnover taxes, amending the Directive of 17 May 1977² — Common system of value-added tax. The Commission took account of a number of amendments requested by Parliament and the Economic and Social Committee in the opinions they delivered in April 1987³ and July 1985⁴ respectively.

2.1.88. On 23 July the Council decided⁵ to respond favourably to a United Kingdom request for a derogation from Article 17 of the Directive of 17 May 1977.²

The UK is authorized until 30 September 1990 to allow an optional, simplified system of VAT payments for enterprises with an annual turnover of less than 340 000 ECU. Under that system the enterprises concerned cannot deduct input tax until it has been paid to the supplier. Before 30 September 1990 the Council is to determine, on the basis of a report by the Commission on the application of the authorization, whether it will be extended.

The Council agreed that this decision would not prejudice the work under way on the 22nd VAT Directive instituting a simplified common value-added tax scheme for small and medium-sized businesses.⁶

Competition

Sixteenth Report on Competition Policy

2.1.89. In July the Commission's *Sixteenth Report on Competition Policy* was published.⁷ As in previous years, the Report reviews developments in the Community's competition policy over the past year.

1986, the Report said, had been a year of growth and change for the European Community. With the accession of Spain and Portugal, the Community had become geographically and economically comparable to the great world powers. All efforts now had to be applied to the task of strengthening the cohesion of this unit. The fundamen-

tal aim of the European Community was to break down the barriers that divided the Member States and hindered the creation of a genuine common market. A large market would lead to a general improvement in the performance and competitiveness of Community industry and lay the foundations for a recovery which would offer new hope of reducing unemployment.

Competition policy had a key role to play in bringing about a single integrated market and 1986 had seen many significant developments in this direction, which were outlined by Mr Sutherland, Member of the Commission with special responsibility for competition, in his presentation of the Report:

Enlargement

'One of our major tasks in 1986 was to consolidate the new geographical dimension of the Community by integrating the new Member States. We therefore began negotiations with the Spanish and Portuguese Governments about the reform of their State monopolies. To bring these into line with the Treaty, the governments must remove discrimination against imports from other Member States. Negotiations continued on the reform of the Greek monopolies. Special transitional measures were also introduced to deal with dumping between Spain and Portugal and the Ten and between the new Member States themselves.'

Legislation

'During 1986 the Commission has actively tried to complete the legal framework of EEC competition policy so as to provide the necessary legal security to European industry. A new Notice on agreements of minor importance was issued in September 1986 updating that of December 1977.⁸ The Notice specifies which agreements the Commission considers in general not to have a sufficient impact on

¹ OJ C 347, 29.12.1984; Bull. EC 12-1984, point 2.1.78.

² OJ L 145, 13.6.1977.

³ OJ C 125, 11.5.1987; Bull. EC 4-1987, point 2.1.55.

⁴ OJ C 218, 29.8.1985; Bull. EC 7/8-1985, point 2.1.76.

⁵ OJ L 213, 4.8.1987.

⁶ OJ C 272, 28.10.1986; Bull. EC 7/8-1986, point 2.1.89.

⁷ Available from the Office for Official Publications of the European Communities, L-2985 Luxembourg. The last Report was reviewed in Bull. EC 6-1986, point 2.1.79 *et seq.*

⁸ OJ C 231, 12.9.1986.

competition to warrant an application of Article 85. The quantitative limits have now been set at a 5% market share and a combined annual turnover of 200 million ECU.

Work continued during the year on the proposed block exemption regulations on knowhow licensing and franchising agreements. Drafts for these regulations are now under discussion.¹ The draft knowhow licensing regulation, which complements the block exemption concerning patent licensing, continues the establishment of a legal framework to facilitate technology transfer in an open competitive market.

In December 1986 the Council adopted detailed rules for the application of Articles 85 and 86 to maritime transport, which provide for a block exemption for liner conferences.²

In the area of air transport the Commission has pursued action on two fronts. It has formulated a proposal for the liberalization of government controls over fares, capacity and market access. At the same time it has started procedures under Article 89(2) against the airlines themselves for infringements of the competition rules.

At the end of June this year the Member States reached agreement in principle on all details of a package of liberalization measures. Unfortunately the Council was unable to adopt the package because of a problem relating to the status of Gibraltar airport. It would be regrettable if after so many years of intensive discussion the Council were unable to formalize its agreement in the near future. If it is not possible to resolve the outstanding difficulty, the Commission will be obliged to proceed with its own direct action to apply the competition rules.

Another major issue which has preoccupied the Commission for many years is merger control. Merger control is not merely a question relating to traditional competition policy. It has far wider implications. I believe it is a vital instrument in achieving a single integrated market. The Commission proposals on merger control have been before the Council now for nearly 14 years. They have been amended twice in 1981 and 1986 to take account of certain proposals of the Member States and the European Parliament. In its resolution on the *Fifteenth Report on Competition Policy* Parliament recommended the Commission to withdraw its proposal. I agree with Parliament that if there is no prospect of progress with respect to our legislative proposals, the Commission will have to envisage alternative means of achieving Community-wide merger control.

Closely linked to mergers is the question of joint ventures. The Commission during 1986 discussed

with the Member States the broad lines of a future notice on the assessment of joint ventures under the Community competition rules.³

Individual cases

'The Commission continued to extend its activities in the services sector, which is of increasing economic importance. Three decisions in the banking sector that were taken in 1986 broke new ground in that they determined the compatibility with the competition rules of an entire range of agreements concluded by national banking associations (Irish Banks, Association Belge des Banques, Associazione Bancaria Italiana).³

Competition policy can only be fully effective if there is proper enforcement. Where firms deliberately engage in restrictive practices and abuse of dominant position and thus do serious damage to other producers and consumers in the common market, the Commission has a duty to act to ensure compliance with the competition rules.

The Commission made clear in 1985 its policy of imposing fines at a level sufficient to deter serious violations of the competition rules. This attitude was confirmed in April 1986 in the polypropylene case, where fines totalling 57.85 million ECU were imposed on 15 major petrochemical producers for infringements of Article 85 of the Treaty which consisted in operating a market-sharing and price-fixing cartel in the polypropylene market.⁴

State aid

'The Community's efforts to complete a single unified internal market by 1992 lend added importance to the enforcement of the rules on State aid. Notable developments in 1986 were: the implementation of the new rules on aid to the coal⁵ and steel⁶ industries; the adoption of a Community framework on State aid for research and development which sets out the Community's generally favourable approach to aid for R&D and the limits of what is acceptable in the Community interest;⁷ the adoption by the Council in December of the new sixth Directive on aid for shipbuilding⁸ and the extension of the Community framework on

¹ OJ C 214, 12.8.1987; OJ C 229, 27.8.1987.

² OJ L 378, 31.12.1986.

³ OJ L 93, 13.2.1987; OJ L 7, 9.1.1987; OJ L 295, 18.10.1986.

⁴ OJ L 230, 18.8.1986.

⁵ OJ L 177, 1.7.1986.

⁶ OJ L 340, 18.12.1985.

⁷ OJ C 83, 11.4.1986.

⁸ OJ L 69, 12.3.1987.

State aids for environmental protection. Work also began on assessing the existing aid schemes in Spain and Portugal.

The Commission continued its policy of systematically ordering the recovery of aid granted illegally by Member States and found to be incompatible with the common market. Finally, significant progress was made in drawing up an inventory of State aids throughout the Community.⁷

Restrictive practices, mergers and dominant positions: specific cases

Prohibited horizontal agreements

Airlines

2.1.90. On 31 July the Commission wrote again to 10 airlines (Aer Lingus, Air France, Alitalia, British Airways, British Caledonian, KLM, Lufthansa, Olympic Airways, Sabena and SAS), calling upon them to end their restrictive practices of revenue pooling, capacity sharing and consultations on fares. It informed them that until the Council formally adopted the package of measures in civil aviation on which it had reached agreement in June,¹ the Commission would be obliged to continue the proceedings under Article 89 of the EEC Treaty which it had commenced in July 1986² and had carried a stage further in March³ and April 1987.⁴ It gave the 10 airlines until 14 September to supply any further information, including changes made to inter-airline agreements and practices, which they might wish it to take into account in the final reasoned decisions it intended to take under Article 89.

At the same time the Commission extended its legal action under Article 89 to the three major EEC airlines so far not covered (Iberia, Luxair and TAP).

Distribution

Microcomputers

2.1.91. On 13 July the Commission granted exemption from Article 85(1) for

the standard-form franchise agreement which Computerland Europe SA of Luxembourg, a wholly-owned subsidiary of the Californian Computerland Corp., has with its franchised retailers in Europe.⁵ The exemption is valid until the end of 1997.

The Computerland network sells top-of-the-range computer products of various makes mainly to business users. The franchisees pay the franchisor for the right to operate under the Computerland name, benefiting from the network's brand image, and to use Computerland's commercial and technical knowhow. They are free to purchase approved products from any source apart from the franchisor and to actively seek and sell to customers anyway. They are also completely free in setting their selling prices, as the franchisor makes no price recommendations whatsoever to franchisees. However, a number of restrictions are imposed by the agreement. Besides being allotted an exclusive territory in which no other Computerland outlet can be established and being prevented by a 'location' clause from opening another outlet themselves without the franchisor's consent, franchisees are prohibited from selling to dealers other than fellow Computerland franchisees.

The exemption decision, which follows two previous test cases in which Pronuptia's⁶ and Yves Rocher's⁷ franchise operations were exempted, brings the Commission a step closer to adopting a block exemption regulation for franchising agreements.

Typing correction products

2.1.92. On 10 July the Commission fined Tipp-Ex Vertrieb GmbH & Co. KG 400 000 ECU and Beiersdorf AG 10 000 ECU for attempting to prevent par-

¹ Bull. EC 6-1987, point 2.1.228.

² Bull. EC 7/8-1986, point 2.1.60.

³ Bull. EC 3-1987, point 2.1.70.

⁴ Bull. EC 4-1987, point 2.1.57.

⁵ OJ L 222, 10.8.1987.

⁶ OJ L 13, 15.1.1987; Bull. EC 12-1986, point 2.1.100.

⁷ OJ L 8, 10.1.1987; Bull. EC 12-1986, point 2.1.100.

allel imports and exports of typing correction products. Tipp-Ex was found to have taken active steps at least between 1979 and 1982 to stop the flow of parallel imports and exports made mainly by a French office supplies dealer and to have put pressure on its exclusive distributors to support the action. Beiersdorf was the exclusive distributor for France. The other distributors involved were Burotex (Belgium), Esveha (Netherlands) and Tipp-Ex Ltd (UK). The latter were not fined because of the considerable pressure that had been brought to bear on them.

Pharmaceuticals

2.1.93. On 13 July the Italian subsidiary of the Swiss pharmaceutical concern Sandoz, Sandoz Prodotti Farmaceutici SpA, was fined 600 000 ECU by the Commission for attempting to prevent parallel exports of its products to high-price countries by printing 'export prohibited' on its invoices and possibly also by its frequent practice of reducing customer's orders to what it considered to be their normal requirements.¹

The evidence that the scaling-down of orders was deliberately intended to prevent exports and could hence be seen as a tacit concerted practice between Sandoz and its customers was not conclusive. The stipulation 'export prohibited' on the invoices, however, was to be regarded as a regular term of Sandoz's contract with its customers which was at least tacitly accepted by them.

The decision was addressed only to Sandoz as it alone was held responsible for the infringement. This approach is in line with the judgment of the Court of Justice in the *AEG-Telefunken* case.²

Abuse of dominant positions

Boosey & Hawkes

2.1.94. In July the Commission ordered the British musical instrument manufacturer Boosey & Hawkes to resume supplies of brass band instruments to Gabriel's Horn

House, which had previously been B&H's largest customer but had allegedly had its supplies cut off after making clear its intention to begin manufacturing brass instruments itself in competition with B&H. Until then B&H had enjoyed a near-monopoly of supply to the around 2 500 brass bands in Britain. The interim order is limited in time until the end of the year, when the new range of brass instruments manufactured by Brass Band Instruments Ltd, the joint company which Gabriel's Horn House has set up with the specialist repairer of brass instruments RCN, will be on the market. In return, the beneficiaries are required to deal fairly with B&H, in particular with regard to the pricing of the instruments manufactured by their subsidiary. The Commission's investigations into the substance of the complaint are continuing.

The decision demonstrates the Commission's willingness to use its powers of interim relief to maintain the status quo and prevent new entrants to a market, even a highly specialized one, from being put out of business while their complaint under Article 86 is being investigated.

Joint ventures

2.1.95. On 9 July the Commission authorized Redland, AAH Holdings and British Coal to set up a joint venture, British Fuels Ltd, for the distribution of solid and liquid fuels.³ The joint venture merges Redland's fuel distribution businesses, hitherto independently run through its Cawoods companies, with those of the British Fuel Co., a joint subsidiary of AAH and British Coal which has for many years handled all the fuel distribution interests of AAH and part of those of British Coal.

After a study of the market, the Commission concluded that in view of the many forms of energy in competition with solid

¹ OJ L 222, 10.8.1987.

² Case 107/82 *AEG-Telefunken v Commission* [1983] ECR 3151.

³ OJ L 224, 12.8.87.

and liquid fuels, neither British Fuels Ltd nor its shareholders would have the power to dictate prices, control or restrict distribution or hinder effective competition in a substantial part of the market. However, the Commission attached conditions to its authorization of the joint venture to protect the interests of competitors of both British Coal and the new company. British Fuels Ltd is not allowed to enter into supply contracts with British Coal covering such quantities or on such terms that other producers or distributors would be placed at a competitive disadvantage.

Mergers

UK scrap trade

2.1.96. On 7 July the Commission authorized under Article 66(2) of the ECSC Treaty Monks Ferry Ltd to acquire the scrap metal business of George Cohen Sons Co. Both firms were engaged in processing and distributing iron and steel scrap, both on the UK domestic market and for export. Although the merged company will be one of the largest scrap merchants in the UK, the presence of other larger scrap merchants elsewhere in the Community and on the international market would prevent it from pursuing an independent pricing policy.

Negative clearances

2.1.97. On 13 July the Commission granted negative clearance from Article 85 of the EEC Treaty for the Rules and Regulations of the Baltic International Freight Futures Exchange Ltd (Biffex).¹ The company was set up in January 1985 to establish and operate a market dealing in freight futures contracts in London.

Biffex operates in a similar way to the commodity terminal markets for sugar, cocoa, coffee, rubber, petroleum, soya beans, grain, potatoes and meat, for which the Commission gave negative clearances in 1985 and 1986.² Its Rules and Regulations

have taken account of the observations the Commission made on the terminal markets.

State aid

General schemes

Employment subsidies

Belgium

2.1.98. On 15 July the Commission authorized a Belgian package of subsidies to employers taking on young people in apprenticeships and young or long-term unemployed people in permanent jobs.

The subsidy for taking on apprentices, who must be kept on in permanent jobs afterwards, consists in relief from employers' social security contributions of up to 33% of wages throughout the apprenticeship period. For employers taking on young or long-term unemployed people directly in permanent jobs before the end of 1987, relief from social security contributions is available at the same rate until the end of 1990, and at a declining rate for two years after that (half the rate in 1991 and a quarter in 1992).

Portugal

2.1.99. Also on 15 July the Commission authorized a package of aid for job creation and training in Portugal. The main schemes involve subsidies for employers taking on young people aged between 16 and 30 in permanent jobs or providing on-the-job training, and assistance for local employment initiatives.

The youth employment subsidy consists of a two-year exemption from employers' social security contributions, while employers providing training qualify both for exemp-

¹ OJ L 222, 10.8.1987.

² OJ L 369, 31.12.1985; OJ L 3, 6.1.1987; OJ L 19, 21.1.1987.

tion from social security contributions and the trainee is paid an allowance of between 70 and 100% of basic wages. Local employment initiatives attract investment aid (grants of up to 3 000 ECU and interest-free loans for the remainder) and assistance towards the salaries of up to five members of staff of the development associations or promoters organizing the schemes.

In both the Belgian and the Portuguese cases, the Commission took into account the extremely worrying levels of unemployment in general and of youth and long-term unemployment in particular and the contribution that is required from employers towards improving employment prospects and training provision.

Aid for innovation

Italy

2.1.100. On 29 July the Commission authorized the Italian Government to provide aid to Olivetti for development of computer systems. The company is developing an integrated office automation system using the OSI (open system interconnection) standard, which will make it possible to connect up a multitude of different types of equipment of different makes to the same system. The total cost of the programme is some LIT 200 400 million, of which aid, partly in the form of soft loans, will cover 20%.

Portugal

2.1.101. Also on 29 July the Commission authorized a Portuguese scheme to support business consultancy and feasibility and development studies in small firms. An annual budget of ESC 1 250 million (7.7 million ECU) has been allocated for 1988-90.

Aid for developing tourism

Italy

2.1.102. On 15 July the Commission authorized a scheme for developing rural

tourism in Calabria. Under the scheme, which is financed by the regional government, grants will be available for building and equipping holiday accommodation and providing other tourist facilities. For 1987 LIT 2 000 million has been allocated for the scheme.

2.1.103. On 29 July the Commission decided not to raise any objection to a scheme by the regional government of Marche for relieving congestion on the area's coast roads during the busy summer holiday season. The regional and local authorities have agreed with the operators of a stretch of motorway to pay them LIT 1 500 million to allow lorries to use the motorway free of charge.

Regional schemes

Germany

2.1.104. On 29 July the Commission terminated the Article 93(2) scrutiny proceedings which it had commenced in October 1986¹ against proposed aid for building a new Daimler-Benz car plant at Rastatt in Baden-Württemberg.

The *Land* and local authorities had withdrawn their initial proposal to bear the costs of site preparation work, and the Federal Government had assured the Commission that the company would now pay these costs itself.

The purchase price of the site, which would now no longer include preparation work, was considered normal for a greenfield site in the area.

The Commission confirmed its position that the authorities' defrayal of the cost of connecting the site up to the road network and public utilities did not involve aid.

Belgium

2.1.105. On 15 July the Commission terminated the Article 93(2) proceedings insti-

¹ Bull. EC 10-1986, point 2.1.72.

tuted in 1981 concerning some provisions of the Belgian Economic Expansion Act of 30 December 1970. In 1981 the Commission had undertaken a comprehensive review under Article 93(1) of the EEC Treaty of the regional aid provisions of the Act following notification by the government in late 1980 of a decree implementing some of the provisions. On 11 November 1981,¹ after completing its review, the Commission had initiated proceedings against the provisions allowing the grant of regional aid for replacement investment and other provisions which were too unspecific for the Commission to determine whether or not they were compatible with the common market.

The Article 93(2) proceedings had remained open, however, because the government had announced that the relevant provisions were to be amended.

The new Act of 15 August 1985, followed by notification of implementing legislation in late October 1986 and the subsequent amendments made to the legislation and the further information supplied by the government, finally made it possible for the Commission to close the proceedings.

2.1.106. On 29 July the Commission also terminated the proceedings initiated in November 1986² against the regional aid provisions of Sections 50-60 of the Economic Recovery Act of 31 July 1984. The government has enacted new legislation (Royal Decree No 486 of 3 December 1986) which established a mandatory system of coordination between the bodies administering regional aid, so that they could limit the total intensity of aid packages where several different types of aid were given. The practical arrangements for the coordination were communicated by letter on 16 June 1987.

After scrutinizing the arrangements, the Commission was satisfied that the new procedure would ensure that the aid ceilings were observed where firms in which the government had taken equity stakes were granted financial aid as well. As far as the partial relief from corporation tax on dis-

tributed profits were concerned, the Commission concluded that this was unlikely to distort competition as it mainly benefited the shareholders and had no effect on production costs.

Denmark

2.1.107. On 15 July the Commission took a final decision on the proposed changes to the Danish regional aid scheme for the period from the beginning of 1987 to the end of 1991, in respect of which it had initiated the Article 93(2) scrutiny procedure in December 1986.³

After considering the further submissions of the Danish Government and reviewing the economic and social situation in the proposed assisted areas, the Commission concluded that in the majority of the areas the government wished to include in the scheme regional aid at the intensity proposed was justified under Article 92(3)(c). However, regional aid was not considered justified in parts of the county of Ringkøbing (Egvad, Holmsland, Ringkøbing and Skjern), and the Commission ordered it to be discontinued by no later than the end of 1989.

The Commission also found the level of aid proposed for many local authorities in the counties of Ringkøbing and for Højer and Tønder in the county of South Jutland too high, and ordered that these areas be downgraded from special to ordinary development areas by the end of 1988.

Finally, the Commission refused to allow an increase in the aid ceiling in parts of South Jutland (Gram, Nørre Rangstrup and Rødding).

France

2.1.108. In view of the expected loss of a further 8 000 jobs in the Lorraine coalfield by 1990, the Commission agreed on 29 July that four local authorities in the Moselle

¹ Bull. EC 11-1981, point 2.1.38.

² Bull. EC 11-1986, point 2.1.82.

³ Bull. EC 12-1986, point 2.1.114.

region around Forbach-Sarreguemines could continue as an exceptional measure to be eligible for Regional Planning Grants (PAT) for the three years 1987-89.

Ireland

2.1.109. On 29 July the Commission approved for an initial period of three years a proposal by the Irish Government to extend the 10% rate of corporation tax to income derived from certified international financial services activities to be carried on in the Custom House Docks in Dublin. It asked for a detailed annual report to be submitted to it on the incentive.

Industry schemes

Belgium

Brewery plant

2.1.110. On 15 July the Commission terminated the Article 93(2) proceedings in respect of the proposed grant of investment aid to a Tournai manufacturer of brewery plant,¹ after the Belgian Government, in response to the Commission's objections, had dropped two of the three parts of the planned package, which reduced its net grant equivalent to around 5%.

Ceramic sanitaryware

2.1.111. On 29 July the Commission initiated the scrutiny procedure in respect of proposed new aid to the La Louvière ceramic sanitaryware manufacturer Noviboch.

The aid, under the Economic Expansion Act 1970, was for a BFR 200 million investment programme, over 95% of which related to the purchase and modernization of the assets of Boch which Noviboch had taken over.

The Commission felt that the new aid would breach the conditions it had imposed on 11 March 1987 for its approval of a government equity subscription to Noviboch.²

Spain

Steel

2.1.112. On 29 July the Commission authorized a scheme presented by the Spanish Government to support the cost of closures of steel plants. The actual disbursement of aid under the scheme would be cleared when a list of the plants to be closed was submitted.

The closure aid scheme was authorized under Protocol 10 to the Act of Accession, which required Spain to cut the capacity of its steel industry to 18 million tonnes by the end of 1988 (paragraph 1 of the Protocol).

France

Motor industry

2.1.113. The Commission decided on 22 July to initiate the Article 93(2) procedure in respect of two injections of public dividend capital in Renault, which the government had failed to notify. FF 2 000 million of new capital had been provided in both 1986 and 1987.

With the serious financial problems Renault was currently facing, the Commission felt that a private investor would normally not be prepared to put up capital for the company and that therefore the capital injections by the government involved an element of aid falling within Article 92(1). Not having particulars of how the new funding was being used or more details of Renault's technical and financial restructuring plans, the Commission did not see how the new aid could qualify for exemption under Article 92(3).

Textiles

2.1.114. On 15 July the Commission decided that aid which the French Government had given to Boussac Saint-Frères³ had been granted in contravention of Article

¹ Bull. EC 1-1987, point 2.1.47.

² OJ L 228, 15.8.1987; Bull. EC 3-1987, point 2.1.77.

³ Bull. EC 11-1984, point 2.1.46.

93(3) and was incompatible with the common market. It ordered the government to recover FF 338 million of the FF 685 million of aid calculated to have been paid to Bous-sac. The remainder of the aid had been spent on subsidizing the disposal of assets which had later gone out of production.

Italy

Newsprint

2.1.115. On 1 July the Commission commenced proceedings under Article 93(2) in respect of aid to Italian newsprint producers provided for under legislation (Act 67/87) on newspapers and publishing.

The legislation appears to give the National Pulp and Paper Institute, which is in charge of administering aid to newspapers, power to align the prices of newsprint purchased from several manufacturers in favour of those that are the least competitive. The Commission was also concerned about the possibility of the Institute subsidizing the shipping costs of newsprint supplied by a certain Italian manufacturer. As the schemes involved operating aid, there appeared to be no prospect of exemption under Article 92(2) or (3).

Motor industry

2.1.116. On 29 July the Commission also commenced proceedings concerning the LIT 206 200 million of new capital which the Italian Government had reportedly provided to Alfa Romeo in 1985 to cover the company's losses in 1984 and the first half of 1985 but had failed to notify.

The same proceedings will consider whether or not the Italian Government indirectly aided Fiat and gave it a competitive advantage by charging it a lower price than could have been obtained from other bidders for the assets of Alfa Romeo, which Fiat took over at the beginning of 1986. Although very little information was available on the deal, the Commission did not think that any aid that might be involved could be exempted under Article 92(3).

Netherlands

Solid board

2.1.117. On 15 July the Commission terminated the Article 93(2) proceedings which it had initiated in December 1986¹ in respect of a scheme to aid the solid board industry in the Netherlands. The Dutch Government had withdrawn the proposals.

Portugal

Mining

2.1.118. On 15 July the Commission authorized a scheme to pay for care and maintenance in the Portuguese tungsten and tin mines during their closure. The three-year (1986-88) programme was helping to preserve a national asset and alleviating social and economic hardship caused by the closure. The aid was mainly in the form of interest-free loans to cover all maintenance costs. The budget was ESC 290 000 million a year.

France and United Kingdom

Shipbuilding

2.1.119. On 15 July the Commission initiated the Article 93(2) scrutiny procedure in respect of the aid which the French and UK Governments had offered to support bids by two of their shipyards to construct a ferry. Besides the French and British yards, a Dutch yard had also tendered for the contract.

Article 4(5) of the sixth Directive on aid to shipbuilding² provides that where there is competition between shipyards in different Member States for the same contract the Commission can, at the request of any Member State, require prior notification of aid offered in connection with the contract.

Having been asked by the UK Government to examine the three bids, the Commission found that the Dutch bid was the least

¹ Bull. EC 12-1986, point 2.1.119.

² OJ L 69, 12.3.1987, Bull. EC 1-1987, point 2.1.49.

subsidized and therefore commenced proceedings against the French and British aid offers so that the aid level could be kept as low as possible. The two governments have one month in which to submit their comments.

Aid to small firms

Portugal

2.1.120. On 1 July the Commission decided not to raise any objection to a scheme to promote industrial investment by small firms employing under 20 people and with a turnover of under ESC 6 million. The scheme is intended to support start-ups, expansion or modernization — particularly by means of computerization, automation and introduction of quality control systems — and relocation from industrialized to peripheral areas.

Public enterprises

Spain

2.1.121. On 24 July the Commission ordered the Spanish Government under Article 90(3) of the EEC Treaty to discontinue the arrangements for subsidizing air and ferry fares for Spanish residents of the Canary and Balearic Islands (provinces of Baleares, Las Palmas and Santa Cruz de Tenerife). The lower fares are not available to nationals of other Member States.

While it appreciated the special problems of such outlying areas, the Commission could not allow a scheme in clear violation of Article 7 of the EEC Treaty (prohibiting discrimination on grounds of nationality) to continue after 1 January 1986, when Spain joined the Community.

State monopolies

France

2.1.122. On 3 July¹ the Commission sent three recommendations to France under Articles 48 and 208 of the Act of Spanish

and Portuguese Accession suggesting how it should reform its monopoly arrangements for potash fertilizers, tobacco products and matches *vis-à-vis* the two new Member States so that by the end of the transitional period (end of 1991 for Spain and end of 1992 for Portugal) products from the two countries could be imported and distributed freely in France without suffering discrimination.

The Commission proposed that France should open initial quotas for Spanish and Portuguese imports of the products for 1987, and that the quotas should be increased by 20% a year thereafter. It also recommended that the quota openings be publicized among importers.

Financial institutions and company law

Financial institutions

Banks and other financial institutions

2.1.123. On 9 July Parliament broadly endorsed,² subject to a number of amendments, the proposal for a Directive on the own funds of credit institutions.³

The Commission stated its readiness to accept most of the amendments, in particular the one allowing Member States to count as own funds securities of indeterminate duration that fulfil certain conditions, such as 'perpetuals' in the United Kingdom and Ireland, 'titres participatifs' in France and 'Genußscheine' in Germany. The other elements which may be regarded as own funds are capital, declared reserves, funds to cover general banking risks, revaluation reserves and other elements which do not appear on the published balance sheet but which are known to the supervisory authorities (and which may be included fully in

¹ OJ L 203, 24.7.1987.

² OJ C 246, 14.9.1987.

³ OJ C 243, 27.9.1986; Bull. EC 9-1986, point 2.1.56.

own funds), plus subordinated funds and liabilities of members of cooperative or mutual credit institutions, only a proportion of which may be included.

Harmonization of the concept of own funds of credit institutions is one of the cornerstones of efforts to establish standardized prudential rules, themselves an essential precondition for a common market in banking.

Insurance

2.1.124. On 9 July Parliament adopted a resolution on freedom to provide insurance services other than life assurance (→ point 2.4.16).¹

Stock exchanges and securities

2.1.125. On 13 July members of the European Advisory Committee to the New York Exchange Board of Directors, led by their Chairman, Mr Sergio Orlandini, and by Mr John J. Phelan Jr, Chairman and Chief Executive of the New York Stock Exchange, visited the Commission and had discussions with Lord Cockfield, Vice-President with special responsibility for the internal market, and Mr Willy De Clercq, Member with special responsibility for external relations and trade policy. The discussions centred on the latest developments in the liberalization of the financial services sector in the Community, including developments in securities markets and freedom of capital movements as well as relations between the Community and non-member countries in trade in financial services at both multilateral and bilateral levels.

Employment, education and social policy

Employment

Sectoral aspects

2.1.126. On 31 July the Commission amended² for the second time³ its

Decisions of 25 July 1974 setting up joint committees on social problems relating to sea fishing and to agricultural workers,⁴ to take account of the accession of Spain and Portugal.

2.1.127. On the same day and for the same purpose it amended² its Decision of 18 November 1985 setting up a joint Committee on Road Transport.⁵

2.1.128. On 31 July⁶ the Commission decided to set up a Joint Committee on Maritime Transport, taking the view that having such a committee attached to it was the best way of ensuring that the two sides of the maritime transport industry took an active part in improving living and working conditions.

Financial instruments

European Social Fund

Fund assistance

2.1.129. On 31 March,⁷ 30 April and 15 July the Commission approved applications for assistance from the Fund for 1987 totalling 3 150.06 million ECU for more than 7 000 projects:

<i>million ECU</i>	
Breakdown of applications approved by category	Amount
Operations for people under 25:	
less-favoured regions	1 063.45
other regions	1 297.65
Operations for people over 25:	
less-favoured regions	308.00
other regions	383.50
Specific operations	97.46
Total	3 150.06

¹ OJ C 246, 14.9.1987.

² OJ L 240, 22.8.1987.

³ OJ L 44, 16.2.1983.

⁴ OJ L 243, 5.9.1974.

⁵ OJ L 317, 28.11.1985.

⁶ OJ L 253, 4.9.1987.

⁷ Bull. EC 3-1987, point 2.1.95.

2.1.130. On 29 July the Commission set the rates of assistance from the European Social Fund towards expenditure on recruitment, setting-up and employment premiums for 1988,¹ as referred to in Article 1(c) of the Regulation of 17 October 1983.²

The amounts per person and per week are as follows:

Belgium	BFR	1 650
Denmark	DKR	453
Germany	DM	101
Greece	DR	2 768
Spain	PTA	5 392
France	FF	239
Ireland	IRL	28
Italy	LIT	49 900
Luxembourg	LFR	2 058
Netherlands	HFL	102
Portugal	ESC	2 387
United Kingdom	UKL	26

Measures for ECSC workers³

Redeployment aid

2.1.131. In July the Commission approved a further batch of aid measures under Article 56(2)(b) of the ECSC Treaty.⁴ The aid consists mainly of income supplements in the event of early retirement, unemployment or re-employment, and aid for vocational training. The aid granted to programmes in the first batch for 1987 is 80% of the amount applied for. The remainder will be granted, subject to funds being available, once the Commission knows the total amount involved in all the applications for the year.

Table 4 gives a breakdown of the aid granted.

Table 4 — *Redeployment aid to workers in the coal and steel industries*

	Coal industry		Steel industry	
	Workers	Amount (ECU)	Workers	Amount (ECU)
Belgium			1 716	2 882 750
Germany (FR)	5 143	17 461 000	1 459	3 520 000
France		10 118 750 ¹		
Italy			187 ²	
Netherlands			936	1 132 500
United Kingdom		38 784 750 ³	2 161	8 492 000
Total	5 143	66 364 500	6 459	16 027 250

¹ Additional grant for 4 554 workers receiving aid granted in 1986

² Increase in number of recipients under a programme approved in 1986

³ Additional grant for 25 842 workers receiving aid granted in 1986.

Measures for shipbuilding workers

2.1.132. On 16 July the Commission adopted a proposal for a Regulation instituting a specific Community programme of accompanying social measures to assist workers in the shipbuilding industry who are made redundant or threatened with redundancy.⁵

Three types of specific measure, which could alleviate the situation of some 22 000

workers over the period 1987-89, are proposed by the Commission: assistance in changing jobs, moving to another part of the Community or retiring early. The pro-

¹ OJ L 238, 21.8.1987.

² OJ L 289, 22.10.1983; Bull. EC 10-1983, point 2.1.57.

³ For social measures concerning the new steel industry plan 1988-90, see point 2.1.34.

⁴ Bull. EC 12-1986, point 2.1.141.

⁵ COM(87) 275 final.

gramme is to have an appropriation of 71.5 million ECU and will supplement measures already available under the European Social Fund. Its main effect will be to provide recruitment aid (especially for small businesses), income maintenance allowances to compensate for the difference in wages between the old and the new job, subsidies to promote the setting-up of new businesses or setting up in a self-employed capacity. The programme is to be applied retroactively to help workers made redundant or threatened with redundancy with effect from 1 January 1987.

*

2.1.133. The Economic and Social Committee adopted an own-initiative opinion on social developments in the Community in 1986 (→ point 2.4.46).

Education and vocational training

Higher education

2.1.134. The first meeting of the Erasmus Advisory Committee¹ was held on 27 and 28 July, to advise the Commission on measures to ensure effective implementation of the Erasmus programme during the 1987/88 academic year. The Committee also discussed arrangements for 1988/89.

2.1.135. On 10 July Parliament approved a resolution on open universities in the Community (→ point 2.4.16).²

New technologies

2.1.136. Following the call for applications published in December 1986 in respect of the Comett programme,³ the Commission received 485 applications representing more than 1 050 specific cooperation projects in the field of technological training, involving more than 1 000 universities and over 2 000 firms and professional bodies.

After examining the applications, and consulting the Comett Committee in Brussels

on 6 and 7 July, the Commission has taken a decision on the first round of applications, accepting more than 160 projects representing some 5.8 million ECU in financial support.

By 1 July, which was the closing date for applications for the second round, some 600 proposals involving more than 1 200 projects had been received by the Commission. Decisions regarding this second round will be taken in the course of November.

2.1.137. The national coordinators of the EuroTecNet programme met in Brussels on 8 July. The meeting took stock of the network of demonstration projects (currently more than 100 in the 12 Member States) and laid the foundations for further activities in 1988.

Living and working conditions and social protection

The fight against poverty

2.1.138. Following the accession of Spain and Portugal, 26 action-research projects were added to the second programme to combat poverty (1985-88).⁴

These projects, which were selected by the Commission from among those submitted by the relevant Spanish and Portuguese ministries, were officially incorporated in the programme with effect from 1 July.

Labour law and industrial relations

2.1.139. On 9 July Parliament approved a resolution on social accounts (→ point 2.4.16).⁵

¹ OJ L 166, 25.6.1987; Bull. EC 5-1987, points 1.3.1 and 1.3.2.

² OJ C 246, 14.9.1987.

³ OJ C 234, 13.9.1985; Bull. EC 7/8-1985, point 1.6.1 *et seq.*; OJ C 336, 28.12.1985; Bull. EC 11-1985, point 2.1.78; OJ L 222, 8.8.1986; Bull. EC 6-1986, point 2.1.106.

⁴ OJ L 2, 3.1.1985; Bull. EC 12-1984, point 2.1.95.

⁵ OJ C 246, 14.9.1987.

Equal opportunities for men and women

2.1.140. Legal seminars on the application of Community directives on equal treatment for men and women¹ took place in Lisbon (7 July) and Oporto (9 July). The purpose of the seminars, which were organized by the Portuguese Committee on the Situation of Women in cooperation with the Commission and the Portuguese Centre for Legal Studies, was to inform judges and lawyers about Community law on equality.

Social integration of disabled persons

2.1.141. On 24 July the Commission sent to the Council two proposals for Decisions² constituting a second Community action programme for disabled persons.³ The proposals relate to the vocational rehabilitation and economic integration of people with disabilities and to their social integration and independent living.

2.1.142. On 20 July the Commission convened a meeting of the Working Party on the Employment of Disabled People. Considerable progress has been made in this field thanks to the setting-up of a joint structure which will enable national bodies to implement the recommendation on employment which is to be laid before the Council in July 1988.

Paul Finet Foundation

2.1.143. On 15 June the Executive Committee of the Paul Finet Foundation examined 75 applications and awarded 68 scholarships totalling LFR 1 355 228.

Health and safety

Health and safety at work

2.1.144. The Advisory Committee on Safety, Hygiene and Health Protection at Work held its 20th plenary meeting in Luxembourg on 2 and 3 July.⁴ It considered the draft opinions being prepared on carci-

nogenic substances, personal protective equipment and machines. These are to be finalized at the next plenary meeting scheduled for 8 and 9 September.

Culture

The European dimension with regard to books

2.1.145. On 10 July Parliament gave its opinion⁵ on the Commission communication on the European dimension with regard to books.⁶ Stressing the fact that books have both an economic and a cultural function, Parliament called on the Commission to draw up a European statute on literary property and to draft Community rules for reproducing literary and scientific works, dealing with infringements of intellectual property, harmonizing VAT, and harmonizing the rules governing the book trade. It also suggested other initiatives designed to protect and promote books: the setting-up of a Community fund to finance the translation of books of acknowledged importance into the various Community languages; a request to European television companies to publicize European books during European Cinema and Television Year (1988);⁷ and the setting-up of a Community library centre containing computerized information on old and new books in the public and private libraries of the Community.

¹ OJ L 45, 19.2.1975; OJ L 39, 14.2.1976; OJ L 6, 10.1.1979; OJ L 225, 12.8.1986; OJ L 359, 19.12.1986.

² OJ C 257, 28.9.1987; COM(87) 342 final.

³ OJ C 80, 9.7.1974; OJ C 347, 31.12.1981; Bull. EC 12-1981, point 2.1.64.

⁴ Bull. EC 11-1986, point 2.1.122.

⁵ OJ C 246, 14.9.1987.

⁶ Bull. EC 11-1985, point 2.1.93.

⁷ OJ C 320, 13.12.1986; Bull. EC 11-1986, point 2.1.127.

Regional policy

Financial instruments

European Regional Development Fund

Programme preparation

2.1.146. On 16 July the Commission adopted for transmission to the Council two proposals for Regulations on two Community programmes part-financed by the ERDF: the Resider programme to assist the conversion of steel areas,¹ and the Renaval programme to assist the conversion of ship-building areas.²

Together with social measures (→ points 2.1.34, 2.1.136 and 2.1.156), regional measures must help to alleviate the adverse effects on employment of planned restructuring, in particular by promoting the development of new economic activities.

In the case of the steel industry (→ point 2.1.25), according to estimates made in the context of the general objectives for steel for 1990, capacity is to be reduced by a further 30 million tonnes or so, which might mean new losses of about 80 000 jobs between 1987 and 1989, coming on top of the 180 000 jobs lost between 1980 and 1985 and the 26 000 lost in 1986 alone.

In the shipbuilding industry, restructuring might lead, in new building alone (and therefore not counting the corresponding job losses in ship repair) to the loss of 30 000 jobs over the 1987-89 period in addition to the 12 000 jobs already shed in this industry in 1986.

To alleviate the social and regional consequences of this process, the Commission has planned various accompanying measures, including the two Community programmes in question.

The proposed programmes are in two parts, which concern respectively the new Member States and the whole Community:

(i) The two programmes will enable Spain and Portugal, once the Council has adopted the corresponding Regulations, to participate fully in the regional conversion effort being made at Community level under conditions comparable to those already enjoyed by the other Member States, with the following areas benefiting:

(a) Resider: the region of Asturias and the assisted areas in the provinces of Álava and Viscaya in Spain);

(b) Renaval: the provinces of La Coruña, Pontevedra and Cádiz, and the assisted areas in the province of Viscaya in Spain, and the area of Setúbal in Portugal.

(ii) In all Member States which experience a deterioration in the socio-economic situation of the main areas affected by restructuring up to the end of 1989, regional conversion efforts will be stepped up. These measures will make it possible to strengthen, by mobilizing additional resources, and to extend to 1992, special programmes which are at present being carried out with financial assistance from the ERDF under the former non-quota section.

The measures contained in these two draft Community programmes aim to develop endogenous potential, which is the most appropriate approach to renewing the economic base and mobilizing the productive forces of the regions and areas concerned. They combine improvement of the infrastructure and physical and social environment of the areas involved with the development of small and medium-sized firms, in particular through business advisory services, better management, common services, innovation, access to venture capital, sectoral studies and investment aid.

Resider further includes aid in the form of interest-rate subsidies on global loans for small industrial projects granted under Article 56 of the ECSC Treaty. This mechanism should make it possible to mobilize additional funds, over and above those

¹ COM(87) 388 final.

² COM(87) 275 final.

available under the ECSC budget, for small and medium-sized enterprises in the steel-making areas.

The Commission puts the total appropriations needed at a provisional 300 million ECU for Resider and 200 million ECU for Renaval.

These provisional sums, concentrated in the first three years of the programme period, may be raised as a result of the reform of the structural Funds. It will then be possible to draw up a more wide-ranging strategy.

As the areas eligible have been preselected and listed in the proposals for Regulations, the funding for the first part of the programme will be divided between Spain, with 25 million ECU under Resider and 21 million ECU under Renaval, and Portugal, with 9 million ECU under Renaval. The share-out among Member States of the appropriations for the second part will depend on the job losses in the industries concerned until the end of 1989. It will be determined as and when the Commission defines the areas which are to benefit, in response to applications from the Member States concerned.

ERDF grants

Project financing

2.1.147. On 14 July the Commission approved an ERDF grant of 19.66 million ECU for Greece (fourth allocation for 1987, second part).¹ The grant is towards an infrastructure project costing 39.31 million ECU.

The second part of the fourth allocation for 1987 brings the number of projects financed by the ERDF since 1975 to 34 235 and the total assistance granted to 17 577.39 million ECU.

Programme financing

2.1.148. On 28 July the Commission approved five national programmes of Community interest (NPCIs)² linked to the

integrated Mediterranean programmes in France. The NPCIs concern the department of Ardèche and the regions of Aquitaine, Corsica, Languedoc-Roussillon and Midi-Pyrénées. Spread over the period from 1986 to 1988, the grants are for: 3.32 million ECU, 27.70 million ECU, 18.96 million ECU, 32.34 million ECU and 20.16 million ECU (converted at January 1987 rates).

Business and innovation centres

2.1.149. On 22 July the Commission decided to make two financial contributions, each of 120 000 ECU, under Article 543 of the 1987 budget for conversion measures for areas affected by industrial decline (Siena in Italy and Oporto in Portugal).

The measures involve the preparation, starting-up or completion of two business and innovation centres which, while intended to earn a profit in the medium term, are to provide a full range of support services for small firms or new activities.

Aid for disaster victims

2.1.150. On 10, 17 and 20 July the Commission successively granted emergency aid to the victims of the following three disasters:

- (i) the Herborn tanker explosion (Germany, 200 000 ECU);
- (ii) the flooding of the camping site at Grand Bornand (France, 200 000 ECU);
- (iii) the flooding in northern Italy (500 000 ECU).

The aid is intended to cover the priority needs of the families worst hit by these disasters.

*

2.1.151. On 9 July Parliament adopted a resolution on the contribution of cooperat-

¹ Bull. EC 6-1987, point 2.1.111.

² Bull. EC 6-1987, point 2.1.112.

ives to regional development (→ point 2.4.16).¹

2.1.152. On 2 July the Economic and Social Committee delivered an own-initiative opinion on the desirability of Community and national measures in disadvantaged island areas (→ point 2.4.47).

Coordination of structural instruments

Integrated Mediterranean programmes

Signing of IMPs

2.1.153. On 17 July the seven programme contracts representing all the IMPs for France under the first allocation for 1986-88 were signed in Paris in the presence of Mr Jacques Chirac, French Prime Minister, Mr Jacques Delors, Commission President, and Mr Grigoris Varfis, Commission Member with special responsibility for the coordination of structural instruments. The programmes concerned Aquitaine, Corsica, Languedoc-Roussillon, Midi-Pyrénées, Provence-Alpes-Côte d'Azur, Ardèche and Drôme.

The programme contracts, which are provided for in the Regulation concerning the IMPs,² set out the respective commitments of all the parties most directly concerned in implementing the French IMPs: Mr Varfis, representing the Commission, and, on the French side, the regional and departmental council chairmen and prefects.

The seven IMPs had been formally adopted by the Commission on 15 July. This marked the end of a vetting procedure lasting just over a year, the IMPs having been submitted to the Commission during the first quarter of 1986.³

Commission approval of draft IMPs

2.1.154. On 22 July the Commission approved a draft IMP for information tech-

nology in Greece that is to be submitted to the Advisory Committee on IMPs for its opinion. After the IMP for Crete,⁴ this will be the second IMP for Greece and will cover the entire country. It is aimed at helping to modernize the Greek economy, its justification being that Greece has a great deal of leeway to make up in information technology. It comprises a series of measures for fostering application of IT in all sectors of the economy and in government, promoting industrial activities related to IT, stepping up applied research and establishing basic structures and infrastructures for IT.

The Community's financial contribution for the period 1986-93 is put at around 88 million ECU, of which 51.9 million ECU will come from the special budget heading for the IMPs. The total cost of the programme will be 133 million ECU.

2.1.155. On 29 July the Commission adopted two other draft IMPs for Greece, one for northern Greece and the other for western Greece and the Peloponnese. The IMP for northern Greece comprises a series of measures for improving the region's socio-economic structures in a variety of sectors such as agriculture, fisheries, energy, craft industry, manufacturing and services (including tourism). It also provides for infrastructure improvement projects. The Community's financial contribution for the period 1986-92 is put at some 411 million ECU, out of a total cost of around 697.5 million ECU.

The IMP for western Greece and the Peloponnese comprises six main subprogrammes concerning agriculture, the inland areas and islands, fisheries and aquaculture, tourism, manufacturing industry and energy, and infrastructures. It provides in particular for the modernization of part of the road network, the fitting-out of health-

¹ OJ C 246, 14.9.1987.

² OJ L 197, 27.7.1985; Bull. EC 7/8-1985, point 2.1.106.

³ Bull. EC 3-1986, point 2.1.96; Bull. EC 2-1987, point 2.1.81, Bull. EC 4-1987, point 2.1.89.

⁴ Bull. EC 7/8-1986, point 2.1.130; Bull. EC 9-1986, point 1.3.1 *et seq.*

care centres and the renovation of the town of Kalamata, which was struck by an earthquake in September 1986. The Community's financial contribution for 1986-92 is put at some 363 million ECU, out of a total cost of 631.3 million ECU.

These two draft IMPs will also be submitted to the Advisory Committee for its opinion.

Other integrated approaches

2.1.156. On 16 July the Commission adopted a new comprehensive communication on the industrial, social and regional aspects of the shipbuilding industry¹ in which it proposes the adoption of a Community programme — the Renaval programme — to be part-financed by the European Regional Development Fund (→ point 2.1.146), aimed at renewing the industrial fabric in the regions of the Community hardest hit by the crisis in the industry. Accompanying social measures are also proposed (→ point 2.1.132) for promoting the occupational integration and geographical mobility of workers made redundant or threatened with redundancy and for easing the transition to permanent retirement for elderly workers who are no longer regarded as seeking work. This approach is the forerunner of a broader-based strategy for reforming the structural Funds with a view to strengthening social and economic cohesion in the Community.

In addition to the new financing proposed by the Commission (200 million ECU for the Renaval programme and 71.5 million ECU for the accompanying social measures), the following is already available:

- (i) 63 million ECU for the period 1987-89 for measures part-financed by the European Social Fund;
- (ii) 71 million ECU for special 'non-quota' programmes part-financed by the European Regional Development Fund and due to run until 1989.

Reform of structural Funds

2.1.157. In accordance with the guidelines adopted by the European Council on 29 and

30 June and with the agreement reached between the Commission and the Council on 20 July, the Commission presented to the Council on 4 August a comprehensive proposal for the reform of the structure and functioning of the structural Funds (→ point 1.1.2).²

Environment and consumers

Environment

Council

2.1.158. The Council meeting on 21 July achieved several results. Under the qualified majority system there emerged a common position, within the meaning of the new Article 149(2) of the Treaty, on the proposals for a Directive on gaseous emissions from private cars and a Directive on heavy commercial vehicles with diesel engines. The Council also adopted a Directive on the marketing of unleaded petrol (→ point 2.1.170).

Considerable progress was also made on the proposal for a Directive on particulate emissions from private cars with diesel engines.³

The Council took formal note of progress in negotiations on the Protocol concerning emissions of chlorofluorocarbons (CFCs) into the atmosphere.⁴

European Year of the Environment (EYE)

2.1.159. The Italian navy's training ship, the *Amerigo Vespucci*, is making the second of its voyages under the EYE 'Aquarius' operation from 8 July to 19 October. The

¹ COM(87) 275 final.

² OJ C 245, 12.9.1987; COM(87) 376 final.

³ OJ C 174, 12.7.1986; Bull. EC 5-1986, point 2.1.108 *et seq.*; Bull. EC 3-1987, point 2.1.133.

⁴ Bull. EC 5-1987, points 2.1.145 and 2.1.146.

ship is to visit Lisbon, Antwerp, Copenhagen, Hamburg, Amsterdam, London, Dublin, Bordeaux, Barcelona and Leghorn. Mr Jacques Delors, the President of the Commission, will be sending the mayors of the cities on the visiting list a message on the protection of the seas, and various events will be staged on the occasion of each visit.

2.1.160. The fourth European biennial on environment films organized by the European Centre for Environmental Communication was held in Birmingham from 3 to 8 July. The festival was opened by Mr Clinton Davis, the Member of the Commission with special responsibility for the environment. A selection of the best films, videos and television programmes made in Europe in the last two years was shown; 42 of the 370 films submitted were selected for the competition. Their subjects include pollution, nuclear energy, dangerous substances, the management of natural resources and the question of environment and development aid.

2.1.161. An awareness-raising week on European beaches was held from 26 July to 1 August. One hundred beaches were selected and bathers were polled on their amenities. Bacteriological tests were carried out on these beaches and one hundred others in order to ascertain the quality of the bathing water in the light of the Council Directive of 8 December 1975.¹

2.1.162. The prize-giving ceremony for the 34th European Schools Competition took place in Strasbourg on 7 July in the presence of Mr Clinton Davis.

The competition received support from the Council of Europe and the European Cultural Foundation as well as from the Community, via the EYE programme. Seventeen countries, including all the Community's Member States, competed. At an international workshop the European prize winners exchanged thoughts on the theme, 'Pollution knows no frontiers. Are there common solutions to the common problems of the European environment?'

2.1.163. One of the major EYE events is Operation Blue Flag of Europe, which is being coordinated by the Foundation for Environmental Education in Europe and supported by the Commission. Following ceremonies in June (on beaches) and in August (in ports), 72 marinas and 323 beaches now fly the blue European flag. This singles out the beaches and ports which meet certain criteria such as an acceptable quality of bathing water, the availability in port of land-based equipment for collecting waste and spent oil, satisfactory safety and management systems, etc.

Action of the Community relating to the environment (ACE)

2.1.164. On 23 July the Council formally adopted² the proposal for a Regulation,³ which it approved in May,⁴ extending the term of the Regulation of 28 June 1984 on the financing of certain environmental projects.⁵ The Regulation lays down the detailed rules whereby the Community may grant financial support to projects of interest to the Community as a whole which are aimed at protecting the environment and/or managing natural resources.

Under this Regulation the Community can grant financial support for:

- (i) demonstration projects aimed at developing new clean technologies, i.e. technologies which cause little or no pollution and which may also be more economical in the use of natural resources;
- (ii) demonstration projects aimed at developing techniques for recycling and reusing waste, including waste water;
- (iii) demonstration projects aimed at developing techniques for locating and restoring sites contaminated by hazardous wastes and/or hazardous substances;

¹ OJ L 31, 5.2.1976.

² OJ L 207, 29.7.1987.

³ OJ C 18, 24.1.1987, Bull. EC 12-1986, point 2.1.181.

⁴ Bull. EC 5-1987, point 2.1.139.

⁵ OJ L 176, 3.7.1984; Bull. EC 6-1984, point 2.1.79.

(iv) demonstration projects aimed at developing techniques and methods for measuring and monitoring the quality of the natural environment;

(v) projects providing an incentive and aimed at contributing towards the maintenance or re-establishment of seriously threatened biotopes which are the habitat of endangered species and are of particular importance to the Community under Directive 79/409/EEC;

(vi) projects providing an incentive and aimed at contributing towards the protection or re-establishment of land threatened or damaged by fire, erosion and desertification.

Projects of the types covered by the first four points above which are eligible for funding from other Community instruments are excluded from the scope of the Regulation.

2.1.165. The Economic and Social Committee adopted an opinion on the above proposal¹ on 1 July (→ point 2.4.48).

Prevention and reduction of pollution and nuisance

Protection of the aquatic environment

Barcelona Convention

2.1.166. On 22 July the Commission sent the Council a recommendation for a Decision authorizing the Commission to negotiate, on behalf of the Community, measures concerning mercury and cadmium discharges and discharges of organosilicon compounds under the Barcelona Convention on the Protection of the Mediterranean Sea against Pollution.²

Convention for the Protection of the Eastern African Region

2.1.167. On 10 July Parliament approved a proposal³ for a Decision concerning the

conclusion, on behalf of the Community, of the Convention for the Protection, Management and Development of the Marine and Coastal Environment of the Eastern African Region and the two Protocols annexed thereto.⁴

Limit values and quality objectives for discharges of 'drins'

2.1.168. In July the Economic and Social Committee adopted an opinion (→ point 2.4.49) on a proposal for Directives concerning limit values for discharges of aldrin, dieldrin and endrin into the aquatic environment and quality objectives for aldrin, dieldrin and endrin in the aquatic environment.⁵

Combating atmospheric pollution

Unleaded petrol and harmful motor-vehicle emissions

2.1.169. The Council agreed in principle, by a qualified majority under Article 100a, to a common position pursuant to the new Article 149 inserted by the Single Act, on the proposals for Directives on gaseous emissions from private cars⁶ and gaseous emissions from heavy commercial vehicles, both with diesel engines.⁷

The position will be formalized and transmitted to Parliament under the cooperation procedure. The Decision was accompanied by a joint statement by the Council and the Commission specifying that the use of Article 100a as legal basis does not pre-

¹ OJ C 18, 24.1.1987, Bull. EC 12-1986, point 2.1.181.

² OJ L 240, 19.9.1977.

³ OJ C 246, 14.9.1987.

⁴ OJ C 253, 10.10.1986; Bull. EC 6-1986, point 2.1.152.

⁵ OJ C 309, 3.12.1986; Bull. EC 10-1986, point 2.1.118.

⁶ OJ C 257, 28.9.1987; COM(87) 303 final; OJ C 245, 26.9.1985; Bull. EC 6-1985, point 2.1.97 *et seq.*; Bull. EC 11-1985, point 2.1.112.

⁷ OJ C 193, 31.7.1986; Bull. 5-1986, point 2.1.108 *et seq.*

empt recourse to Article 130s in the case of measures whose main aim is to protect and improve the environment.

It is recalled that, for gaseous emissions from private cars, the Council's common position concerns the following standards:

Category of vehicles	Dates of implementation (new models/new cars)	Emission standards (grams/test)
More than 2 litres	1.10.1988/89	CO25:HC-NO _x 6.5 NO _x 3.5
1.4 - 2 litres	1.10.1991/93	CO30:HC-NO _x 8
Less than 1.4 litres	A. — 1.10.1990/91 B. — The European standard and the date of its implementation will be decided in 1987 and the date of implementation will not be later than 1992/93	CO45:HC-NO _x 15 NO _x 6

For gaseous emissions from heavy commercial vehicles, the following standards were decided on as a first stage, to apply from 1 October 1990:

	CO	HC	NO _x
Emission standards (grams/Kwh)	11.2	2.4	14.4

2.1.170. On 21 July, on a Commission proposal¹ endorsed by Parliament,² the Council adopted the Directive³ amending that of 20 March 1985⁴ which covers the complete withdrawal of regular leaded petrol from the national markets of those Member States wishing to speed up the introduction of unleaded petrol.

In this connection Mr Clinton Davis indicated the Commission's intention of encouraging Member States to provide motorists with information on points of sale where regular unleaded petrol could be obtained.

2.1.171. From 17 to 21 August the Commission participated in an international symposium in Berlin entitled 'Indoor Air 87'. The work at the symposium provided confirmation for the five priorities already

adopted, namely pollution by formaldehyde, volatile organic compounds, nitrogen oxides and carbon monoxide, radon gas and sick buildings.

Controls on chemical substances, industrial hazards and biotechnology

Dangerous substances

2.1.172. On 3 August, on a proposal from the Commission,⁵ the Council adopted a Directive⁶ adapting to technical progress for the eighth time the Council Directive of 27 June 1967⁷ as amended by that of 24 June 1986⁸ on the approximation of laws, regulations and administrative provisions relating to the classification, packaging and labelling of dangerous substances.

2.1.173. On 1 July the Economic and Social Committee adopted an opinion (→ point 2.4.51) on a proposal for a Directive on the inspection and verification of the organizational processes and conditions

¹ OJ C 90, 4.4.1987; Bull. EC 3-1987, point 2.1.132.

² OJ C 190, 20.7.1987, Bull. EC 6-1987, point 2.1.129.

³ OJ L 225, 13.8.1987.

⁴ OJ L 96, 3.4.1985; Bull. EC 3-1985, point 2.1.70.

⁵ Bull. EC 4-1987, point 2.1.95.

⁶ OJ L 239, 21.8.1987.

⁷ OJ 196, 16.8.1967.

⁸ OJ L 247, 1.9.1986; Bull. EC 6-1986, point 2.1.161.

under which laboratory studies are planned, performed, recorded and reported for the non-clinical testing of chemicals (good laboratory practice).¹

External trade in dangerous chemicals

2.1.174. Also on 1 July the Economic and Social Committee adopted an opinion (→ point 2.4.50) on a proposal for a Regulation concerning export from and import into the Community of certain dangerous chemicals.²

Waste disposal

Transfrontier shipment of hazardous waste

2.1.175. On 22 July the Commission sent the Council a proposal for a Decision³ on the procedure for adoption by Community Member States of the draft OECD Council Decision concerning those hazardous wastes for which transfrontier movements shall be controlled.

Protection and use of resources

Flora and fauna

Washington Convention (Cites)

2.1.176. The sixth meeting of the Parties to the Convention on International Trade in Endangered Species of Wild Fauna and Flora⁴ met in Ottawa from 12 to 25 July. The Community attended as an observer alongside the 10 Member States which have ratified the Convention. The Conference decided to adopt certain amendments to the Appendices to the Convention. These amendments will be incorporated into the Council Regulation of 3 December 1982.⁵ The Conference also adopted resolutions on the interpretation and implementation of the Convention, the most important concerning trade in ivory and rhinoceros horns. One of the resolutions calls upon the Parties to consider ratifying the amendment

adopted at the fourth Conference in Gaborone which is designed to enable the Community as such to accede to the Convention.

*

2.1.177. In July Parliament adopted a resolution on the erosion of agricultural soils and on wetlands in the European Community (→ point 2.4.16).⁶

2.1.178. Also in July Parliament adopted two resolutions, one on the establishment and conservation of Community nature reserves (→ point 2.4.16)⁷ and the other on the threatened extinction of pearl mussels in Europe's rivers and streams (→ point 2.4.16).⁶

Consumers

Physical protection and product safety

Toys

2.1.179. In July Parliament adopted an opinion endorsing the proposal for a Directive concerning the safety of toys.⁷ It did table a number of amendments, however, mainly with a view to simplifying the proposal. Acting under Article 149(3) of the Treaty, the Commission will be sending an altered proposal to the Council incorporating Parliament's amendments.

2.1.180. On 1 July the Economic and Social Committee adopted an opinion on the proposal⁷ too (→ point 2.4.52).

¹ OJ C 13, 17.1.1987; Bull. EC 12-1986, point 2.1.196.
² OJ C 177, 15.7.1986; Bull. EC 7/8-1986, point 2.1.136.
³ COM(87) 333 final.
⁴ Bull. EC 5-1985, point 2.1.75.
⁵ OJ L 384, 31.12.1982; Bull. EC 2-1982, point 2.1.105.
⁶ OJ C 246, 14.9.1987.
⁷ OJ C 282, 8.11.1986; Bull. EC 10-1986, point 2.1.128.

Agriculture

Further reform of the CAP

2.1.181. On 14 August, following the general guidelines adopted by the European Council on 29 and 30 June¹ and the arrangements agreed between the Council and the Commission on 20 July, the Commission sent the Council a communication entitled 'Review of action taken to control the agricultural markets and outlook for the common agricultural policy' (→ points 1.1.11 to 1.1.15).

Council

2.1.182. The 13 July meeting of the Council was devoted primarily to the financing of the common agricultural policy. The conclusions of the European Council on 29 and 30 June² provided that EAGGF guarantee expenditure under the 1987 budget would be kept within total appropriations by means of an adjustment in the system of advance payments.³

The Council examined the Commission proposal⁴ to amend the Regulation of 21 April 1970⁵ as regards the financing of the EAGGF Guarantee Section. This proposal involves replacing the present system of advance payments by a system of reimbursements. The aim of the proposal is to eliminate in the long run certain weaknesses in the system of advance payments and to achieve a structural improvement in the management of appropriations and of the Commission's cash situation. The Commission announced this reform as part and parcel of its proposals on the future financing of the Community⁶ (→ points 1.1.3 to 1.1.10). This overall approach had been endorsed by the European Council at its meeting in Brussels on 29 and 30 June.²

Without commitment to any specific method of ensuring the future financing of the Community budget, the immediate need is to introduce, as a temporary measure, a system whereby the problem of the inad-

equacy of EAGGF Guarantee appropriations can be resolved without any carryover to 1988 and subsequent years, since the Commission is likely to run short of funds by the beginning of November following the agreement on prices for 1987/88 and taking account of the advance payments decided on to cover the needs of disbursing authorities until 31 July. This means that the Member States will be required to mobilize some 4 300 million ECU to cover needs in November and December 1987.

To accommodate specific difficulties certain Member States have to contend with, the Commission proposed that, for four Member States (Greece, Ireland, Portugal, Spain), some of the interest costs payable should be borne by the Community on the basis of the rate applicable to ECU loans (6.8%).

At the end of its discussion, the Council noted that there was a qualified majority in favour of an agreement on this basis. In addition, Parliament was asked to deliver an opinion by urgent procedure so as to enable the Commission proposal to be finally adopted in September.

The Council, acting on a proposal from the Commission,⁷ adopted by qualified majority the Regulations⁸ for the application of its Decision of 30 June⁹ to fix at 10% the maximum reduction in the target prices for rapeseed, sunflower seed and soya beans where the maximum guaranteed quantities are exceeded. These Regulations lay down that, for each percentage point by which the maximum guaranteed quantity is exceeded, the target price of the product in question is to be reduced by 1%. As in the case of the Council Decision on the

¹ Bull. EC 6-1987, point 1.1.5.

² Bull. EC 6-1987, point 1.1.1 *et seq.*

³ Bull. EC 6-1987, point 1.1.7.

⁴ OJ C 137, 22.5.1987; Bull. EC 5-1987, point 2.1.177.

⁵ OJ L 94, 28.4.1970.

⁶ Supplement 1/87 — Bull. EC; Bull. EC 2-1987, point 1.1.1 *et seq.*

⁷ Com(87) 345 final; COM(87) 348 final.

⁸ OJ L 200, 21.7.1987.

⁹ OJ L 183, 3.7.1987; Bull. EC 6-1987, point 2.1.152.

maximum reduction, this measure will apply only during 1987/88.

*

2.1.183. On 9 July Parliament adopted a resolution on the effect of the common agricultural policy on agricultural trade with non-member countries and on employment in the Community¹ (→ point 2.4.16).

Economic aspects of the common agricultural policy

Agri-monetary measures

2.1.184. On 3 August following the undertakings made when the agricultural prices for 1987/88 were fixed,² the Commission introduced,³ with effect from 7 September, monetary compensatory amounts (MCAs) for the olive oil sector, for jams and marmalades with a sugar content exceeding 50% by weight and for certain products covered by the Council Regulation of 11 November 1980 laying down the trade arrangements applicable to certain goods resulting from the processing of agricultural products.⁴

With effect from the same date, it amended³ the rules for applying MCAs to products not listed in Annex II to the Treaty by introducing a minimum threshold of the equivalent of 3 ECU. An MCA that is less than the equivalent of this amount will not be applied.

Further, the Commission adopted rules to implement the principle that no new MCAs should be introduced — within certain limits — for pigmeat.³

It also amended the *de minimis* rule: henceforth, where agricultural conversion rates differentiated according to product apply in a Member State, any alteration of the MCAs for one product group prompted by changes in the monetary gaps will automatically entail an updating of the MCAs for all other product groups.³

Market organizations

Cereals

2.1.185. Following the decisions taken by the Council on 2 July on the prices of cereals and certain related measures,⁵ the Commission fixed the threshold prices for cereals,⁶ the monetary compensatory amounts and the accession compensatory amounts.⁷

Following up the adjustment of the intervention arrangements, the Commission laid down the rules concerning buying-in periods.⁸

In addition, in order to take account of variations in the weather conditions in certain Member States, the maximum moisture content of cereals offered for intervention was fixed at 15.5%.³

The time-limits for payment in respect of cereals were standardized at 110 days.

As regards the co-responsibility levy, the Commission fixed the allocation of the 120 million ECU of aid for small producers among the Member States according to the same scale as that applied during 1986/87.⁹ Italy and France were authorized to collect the levy when cereals are put on the market by producers.¹⁰

2.1.186. Under the Agreement concluded between the EEC and the United States in January 1987,¹¹ the amount of the reduction in the levy on maize imported into Spain was fixed at 20 ECU per tonne as from 19 July and at 40 ECU per tonne as from 30 July.¹²

¹ OJ C 246, 14.9.1987.

² OJ L 182, 3.7.1987; Bull. EC 6-1987, point 2.1.162.

³ OJ L 218, 7.8.1987.

⁴ OJ L 323, 29.11.1980.

⁵ OJ L 182, 3.7.1987; Bull. EC 6-1987, point 2.1.149.

⁶ OJ L 185, 4.7.1987.

⁷ OJ L 189, 9.7.1987.

⁸ OJ L 206, 28.7.1987.

⁹ OJ L 209, 31.7.1987.

¹⁰ OJ L 240, 22.8.1987.

¹¹ OJ L 98, 10.4.1987; Bull. EC 1-1987, point 1.2.1 *et seq.*

¹² OJ L 193, 14.7.1987; OJ L 208, 30.7.1987.

The cereals harvest was late in the north of the Community and cereals from intervention storage had to be resold on the market.

2.1.187. On 13 July the Council, acting on a proposal from the Commission,¹ modified the standard qualities for durum wheat by introducing, in particular, certain technological criteria (Hagberg falling number, protein content and gluten content).²

Market situation

2.1.188. Community production of cereals in 1986 is put at 153 765 000 tonnes, which is 4.2% down on the 1985 harvest and 11% down on the record 1984 harvest. The drop in production was the result of a cutback (to 35 861 000 hectares) in the area sown to cereals and of lower yields due to the persistent drought in the south of the Community.

Common wheat production at 72.2 million tonnes was 1.2% up on 1985. This can be attributed primarily to an increase in the area under common wheat.

Prices in the south of the Community at the beginning of the marketing year were firm, following the previous decline in the production of common wheat.

Export demand held up well throughout the marketing year and enabled intervention stocks to be cut from 10.3 million tonnes at the start of the marketing year to 7.4 million tonnes at the end. In all, some 15.8 million tonnes of common wheat were exported, 11.2 million tonnes of which as grain, 3.4 million tonnes as flour and 1.2 million tonnes in the form of food aid. The weakness of the dollar combined with American Bicep supplies to a large section of traditional Community markets served to depress the world market and the Community had to pay high refunds of up to 146 ECU per tonne.

Durum wheat gained even further ground in 1986. Production reached a record level of 7.2 million tonnes, compared with 5.8 in 1985. This result was due in part to the

considerable increase in the growing of durum wheat in the northern regions of France and Germany in particular. The degree of self-sufficiency of the Community consequently rose from 123.1% to 143.4%. The record harvest pushed intervention stocks up from 887 000 tonnes on 1 July 1986 to 1 575 000 tonnes on 1 July 1987.

There was a significant decline in barley production in the Community in 1986 as against 1985 (46.9 million tonnes as compared with 51.6 million tonnes), mainly because the Spanish crop dropped from 10.6 to 7.3 million tonnes.

Exports of barley increased from about 8.2 million tonnes in 1985/86 to some 9.3 million tonnes in 1986/87. As in the case of common wheat, very high refunds had to be paid (up to 159 ECU per tonne).

Intervention stocks of barley went up from 1 million to 4.2 million tonnes.

Although the market in rye was roughly in balance, more than 1.1 million tonnes of rye are still held in intervention stores.

Maize production has levelled off at around 25 million tonnes. The cutback in the incorporation of maize in feedingstuffs owing to competition from common feed wheat and from certain cereal substitutes meant that the Community became 91% self-sufficient in maize.

Sugar

2.1.189. On 6 July the Commission adopted a Regulation fixing for 1987/88 the amount of the levy in connection with the offsetting of storage costs for sugar.³ The aim of this Regulation is to fix the amount of the storage levy provided for in Article 8 of the basic sugar Regulation⁴ for 1987/88. The levy remains in fact unchanged at 4 ECU/100 kg of white sugar.

¹ OJ C 102, 15.4.1987.

² OJ L 196, 17.7.1987.

³ OJ L 188, 8.7.1987.

⁴ OJ L 177, 1.7.1981; Bull. EC 6-1981, point 2.1.88.

2.1.190. On 17 July the Commission adopted a Regulation fixing, for 1987/88, the flat-rate amount provided for under the system of minimum stocks in the sugar sector.¹ The aim of this Regulation is to fix the flat-rate amount to be paid by those subject to the minimum stock arrangements where, on the one hand, the raw sugar and certain syrups produced are intended for processing into white sugar elsewhere than in the undertaking where they were produced and, on the other hand, where sugar from the minimum stock is disposed of under different conditions than those laid down by the rules on the minimum stock system. This flat-rate amount represents the advantage derived from the freeing of the quantity thus disposed of by the producer in question. It is set at 0.165 ECU/100 kg expressed as white sugar for the marketing year in question.

2.1.191. On 20 July the Commission adopted a Regulation² determining, for 1987/88, the quantities of raw sugar produced in the French overseas departments qualifying for the refining aid referred to in the Council Regulation of 15 July 1986 laying down measures for the marketing of sugar produced in these departments and for the equalization of the price conditions with preferential raw sugar.³

Raw cane sugar produced during a given marketing year in these departments and refined in European areas of the Community qualifies for marketing aids (for transport and refining) as an intervention measure. This Regulation is therefore aimed at allocating the quantities of raw sugar produced in the overseas departments according to their origin (Réunion, Martinique or Guadeloupe) and according to their destination for refining in the various European areas of the Community concerned for the purpose of granting the refining aid. The total quantity involved is 287 000 tonnes expressed as white sugar.

2.1.192. On 20 July the Commission approved a Regulation adopting measures for the supply of raw sugar from beet harvested in the Community to Portuguese

refineries during 1987/88.² The Community raw sugar forward supply estimate showed a supplementary requirement for the Portuguese refineries which can be met in part for 1987/88 by making available to these refineries a certain quantity of raw sugar obtained from beet harvested in the Community. This Regulation will enable aids to be paid for the marketing and refining, in those refineries, of raw beet sugar up to a limit of 72 000 tonnes expressed as white sugar for the 1987/88 marketing year.

2.1.193. On 20 July the Commission adopted a Decision authorizing Portugal to import from non-member countries at a reduced levy certain quantities of raw sugar during the period 1 July 1987 to 30 June 1988.⁴ This Decision authorizes Portugal, pursuant to the first and second paragraphs of Article 303 of the Act of Accession, and in the light of the raw sugar forward supply estimate for 1987/88, to import at a reduced levy a supplementary supply requirement of 71 000 tonnes expressed as white sugar for the marketing year in question.

Oils and fats

2.1.194. On 13 July the Council adopted a Regulation introducing special measures for certain processed oil products in Spain.¹ This Regulation makes provision to repay to firms situated in Spain, at their request, the levy charged upon the purchase of oils incorporated in mayonnaise and other fine sauces.

Milk

2.1.195. On 23 July the Council amended⁵ its Regulation of 31 March 1984 laying down special measures concerning the exclusion of milk products from inward

¹ OJ L 197, 18.7.1987.

² OJ L 201, 22.7.1987.

³ OJ L 194, 17.7.1986.

⁴ OJ L 228, 15.8.1987.

⁵ OJ L 208, 30.7.1987.

processing arrangements and from certain usual forms of handling.¹ This amendment extends until 31 March 1988 the exclusion of concentrated whey and whey powder from the ban on inward processing of milk and milk products so as to enable the traditional patterns of trade with Austria to continue for a certain period.

2.1.196. On 15 July, in accordance with the undertakings given to the Council,² the Commission adopted a Regulation cancelling the 120-day period for taking over butter and reducing the minimum time-limit for payment from 120 days to 90 days.³

2.1.197. On 6 August, in line with the intention expressed to the Council at its meeting on 30 June,² the Commission adopted a Regulation⁴ replacing the coefficient of increase of 0.26% referred to in Article 9(2) of its Regulation of 16 May 1984 laying down detailed rules for the application of the additional levy⁵ by a coefficient of 0.21%, which has the effect of reducing the penalty for exceeding the average fat content of the milk under the arrangements for collecting the additional levy.

Market situation⁶

2.1.198. The market trend for the Community as a whole over the period from January to May, as against the corresponding period in 1986, was as follows: deliveries of milk to dairies, down 3.3%; butter production, down 11.5%; skimmed-milk powder production, down 19.2%, cheese production, up 3.5%. As a result of poor weather conditions in June and July, milk production is likely to be down by about 10 to 11% on the same period in 1986. Milk deliveries in the first two months of the fourth period of application of the additional levy (April and May) were down 3%, while the objective for 1987/88, taking account of the decisions taken by the Council in December 1986⁷ and of the quota overrun in 1986/87, is 7% or 7 million tonnes.

250 000 tonnes of butter were bought in during the first six months of the year as against 433 000 tonnes in the first six months of 1986. The corresponding quantities of skimmed-milk powder are 40 000 tonnes as against 390 000 tonnes.

Since the buying-in of butter was suspended⁸ with effect from 29 June, a total of 1 338 tonnes of butter has been bought in by intervention agencies under the tendering procedure.

Beef/veal

2.1.199. On 13 July the Council, acting on a proposal from the Commission,⁹ and following the opinion of Parliament,¹⁰ adopted a Regulation¹¹ setting an additional period of four months from 18 July for use of the special import tariff quota for high-quality fresh, chilled or frozen beef falling within CCT subheadings 02.01 A IIa) and 02.01 A IIb) opened for 1986 by the Regulation of 13 November 1986.¹²

2.1.200. With market prices declining, and the prospect of heavy slaughterings in September and October, the Commission granted private storage aid for adult bovine animals, while fixing different amounts of aid for male and female animals. These new arrangements provide for beef to be taken into storage until mid-November.¹³

Sheepmeat

2.1.201. On 23 July the Council adopted a Decision on the granting of national aid

¹ OJ L 90, 1.4.1984.

² Bull. EC 6-1987, point 2.1.155.

³ OJ L 195, 16.7.1987.

⁴ OJ L 219, 8.8.1987.

⁵ OJ L 132, 18.5.1984; Bull. EC 5-1984, point 2.1.125.

⁶ Bull. EC 4-1987, point 2.1.109.

⁷ Bull. EC 12-1986, points 1.2.1 *et seq.* and 2.1.211 *et seq.*

⁸ OJ L 167, 26.6.1987; Bull. EC 6-1987, point 2.1.169.

⁹ OJ C 71, 19.3.1987.

¹⁰ OJ C 246, 14.9.1987.

¹¹ OJ L 197, 18.7.1987.

¹² OJ L 323, 18.11.1986; Bull. EC 11-1986, point 2.1.191.

¹³ OJ L 225, 13.8.1987.

in the form of a payment on account of the premium for use in the sheepmeat sector in France.¹

2.1.202. On 14 July the Commission adopted a Regulation fixing, in respect of France, the intervention buying-in prices for lamb in the event that buying-in becomes necessary in that Member State.² However, this measure does not prejudice whether it would be expedient or not to carry out buying-in during the period when intervention measures may be instituted (15 July to 15 December).

2.1.203. On 30 July the Commission adopted a Regulation determining for the Member States the estimated loss of income and the estimated level of the premium payable per ewe and per female goat for the 1987 marketing year.³ The Member States may pay, on this basis, an advance (of 50% of the estimated premium instead of 30% owing to the very bad market situation) to farmers in certain less-favoured areas from 15 November 1987.

Pigmeat

Market situation⁴ (March to July 1987)

2.1.204. During the period under review the pigmeat market remained relatively weak owing to excess supply which exerted downward pressure on prices. However, the operation of a Community-wide scheme of aids to private storage⁵ for the greater part of the period in question helped, to a considerable extent, to underpin and stabilize the market, thus preventing a price collapse. The extent of the market surplus was reflected in the overall quantity of pigmeat placed in private storage under the scheme, which, at 168 000 tonnes, set a new record for such a measure in the pigmeat sector.

Owing to a renewed outbreak of foot-and-mouth disease in Italy⁶ a special market support measure was introduced in May⁷ allowing payment of a national aid in the

affected areas by way of supplement to the Community aid for private storage.

The private storage scheme (including the special measure for Italy) was finally ended on 29 June.⁸

Pursuant to the Regulations on the new Community scale for grading pig carcasses,⁹ the Commission approved three objective grading methods submitted by Ireland¹⁰ with a view to implementing the new scale. This brings to four the number of Member States whose grading methods have been approved to date under the Regulations in question.

On the export side, refunds on canned pigmeat to the United States and Canada were increased substantially in June.¹¹ This adjustment was designed to compensate for currency movements which had made Community products less competitive, resulting in a drop of 12% in exports of canned pigmeat to the markets in question in the first quarter of 1987 as compared with the same period in 1986.

Eggs and poultrymeat

Market situation¹²

2.1.205. During the second and third quarters of this year the Community market in eggs remained in much better balance than the very depressed previous year. However, increased placings of layer chicks (for egg production) were reported from many Member States, under the influence of the newly remunerative prices as from the beginning of this year. The market has

¹ OJ L 225, 13.8.1987.

² OJ L 194, 15.7.1987.

³ OJ L 210, 1.8.1987.

⁴ Bull. EC 2-1987, point 2.1.119.

⁵ OJ L 14, 16.1.1987.

⁶ Bull. EC 11-1986, point 2.1.189.

⁷ OJ L 119, 7.5.1987.

⁸ OJ L 167, 26.6.1987.

⁹ OJ L 285, 25.10.1985; Bull. EC 11-1985, point 2.1.140.

¹⁰ OJ L 146, 6.6.1987.

¹¹ OJ L 192, 11.7.1987.

¹² Bull. EC 2-1987, point 2.1.120.

been again quiet since Easter, even allowing for the seasonal pattern. Exports to non-member countries over the first five months of the year show encouraging increases for several types of processed egg products when compared with the same period of 1986, but shell egg exports were down by more than 25%; with human consumption at best stagnating and exports to non-member countries having represented only about 2.5% of estimated Community egg production in 1986, this market remains basically unstable and sensitive to relatively slight increases in self-sufficiency, estimated to have been at around 102% over the last three years.

In contrast, the greater stability of the poultrymeat market in most Member States has continued throughout the spring and summer, although an improvement in profitability in Spain has not been matched in Italy, where recent investment has led to continuing overproduction.

Consumption of most types of poultry continues at high levels throughout the Community, particularly as concerns turkeymeat, and cuts and preparations in general. This pattern is reflected in exports to non-member countries, where the drive for greater self-sufficiency in several Middle East countries and persistent competition from other suppliers, especially from US subsidized exports, combine to make the world market increasingly competitive. Although overall exports of all types of whole chicken were up by 5% in the January to May period as compared with the same period of 1986, export performance in May was already below last year's level.

It is true that recently there have been some signs of oversupply during the second half of 1987 even in Member States where hitherto market balance has been excellent. Poultry demand in general is more price-elastic than that for eggs, however, given the variety of products, innovation and processing opportunities. Nevertheless, the increase in production potential observed during recent months seems to exceed foreseeable demand.

Wine

2.1.206. On 13 July the Council adopted a Decision on the granting by certain Member States of aid for the short-term private storage of table wine and must.¹

2.1.207. The trend in prices for white table wine and for must on the Spanish market led the Commission to amend,² on 17 July, the export refunds³ applicable to such products in Spain.

2.1.208. On 28 July the Commission amended⁴ the detailed rules for the description and presentation of sparkling and aerated sparkling wines⁵ to take account of the changes made by the Council to the relevant general rules.⁶

2.1.209. On 30 July the Commission adopted⁷ measures to enable producers subject to the compulsory distillation of table wine who have failed to notify the competent authority of the volume they have for distillation within the time-limits laid down, to regularize their position by increasing, as a penalty measure, the quantity that they are required to deliver.

2.1.210. On 31 July the Commission extended⁸ certain time-limits laid down under the rules for the distillation of wines produced from grape varieties classed for two purposes to enable producers of such wines to complete all the exports planned and therefore be exempted from the obligation to distill the quantities thus exported.

2.1.211. At the end of July⁹ and in August¹⁰ the Commission adopted, as mar-

¹ OJ L 200, 21.7.1987.

² OJ L 197, 18.7.1987.

³ OJ L 60, 1.3.1986.

⁴ OJ L 207, 29.7.1987.

⁵ OJ L 246, 30.8.1986; OJ L 310, 5.11.1986.

⁶ OJ L 320, 29.11.1985; Bull. EC 11-1985, point 2.1.133; OJ L 55, 25.2.1987; Bull. EC 2-1987, point 2.1.124.

⁷ OJ L 209, 31.7.1987.

⁸ OJ L 210, 1.8.1987.

⁹ OJ L 209, 31.7.1987; OJ L 210, 1.8.1987; OJ L 213, 4.8.1987; OJ L 216, 16.8.1987.

¹⁰ OJ L 218, 7.8.1987; OJ L 242, 26.8.1987.

ket management measures for the coming marketing year, various detailed rules and amounts relating to the intervention measures: a reduction in the buying-in price for wine the alcoholic strength of which has been increased by adding sucrose or musts that have benefited from Community aid; the reference prices; aid for the use of musts; wine deliveries; the distillation of wines produced from varieties classed for two purposes; the fixing of regulatory amounts and an adaptation of the supplementary trade mechanism following the accession of Spain and Portugal; detailed rules implementing the additional measures for holders of long-term storage contracts for table wine for 1986/87 and implementing the table wine preventive distillation scheme.

2.1.212. As regards spirituous beverages, on 22 July the Commission fixed the definitive coefficients applicable to cereals exported in the form of Scotch whisky as the United Kingdom had provided the information required to correct the provisional coefficients applicable until 30 June 1987.¹

In addition, on 24 July it fixed the coefficients applicable respectively in the United Kingdom and Ireland from 1 July 1987 to 30 June 1988 to cereals placed under control and exported in the form of Scotch whisky and Irish whiskey.²

2.1.213. In July the Economic and Social Committee delivered an opinion (→ point 2.4.53) on the proposals for Regulations concerning liqueur wines.³

Tobacco

2.1.214. On 3 July the Commission adopted a Regulation⁴ derogating from the Regulation of 25 August 1970⁵ as regards the time-limits for concluding and registering cultivation contracts in respect of leaf tobacco. This fixes the deadlines for the conclusion and registration of cultivation declarations and contracts at 30 June and 31 July 1987 respectively for contracts that take effect in 1987. However, in the case of Spain, these time-limits are deferred

to 31 August and 30 September 1987 respectively.

Cotton

2.1.215. On 23 July the Council, acting on a proposal from the Commission,⁶ amended⁷ its Regulation of 27 July 1981 laying down the general rules for the system of aid for cotton.⁸ This amendment fixes the reduction in the amount of aid at 1% of the norm price for each full 15 000-tonne production tranche, in excess of the maximum guaranteed quantity.

2.1.216. On 28 August the Commission adopted two Regulations⁹ to enable the new co-responsibility arrangements¹⁰ for cotton to come into operation at the beginning of the new marketing year. The first of these regulations stipulates that the Commission is to notify the Member States of the aid amount to be granted for 100 kg of unginning cotton immediately it has been fixed. The second Regulation fixes the estimated production of cotton for 1987/88 and the reduction to be made in the aid. This reduction is necessary because the estimated production (820 850 tonnes) is higher than the maximum guaranteed quantity (752 000 tonnes). The reduction was fixed at 5.761 ECU/100 kg, which represents 6% of the norm price.

2.1.217. In addition, the Commission fixed by Regulation of 28 August the actual production of unginning cotton for 1986/87.¹⁰ This was determined as 947 800 tonnes and therefore exceeds by 130 800 tonnes the amount estimated before the beginning of the marketing year concerned and by

¹ OJ L 202, 23.7.1987.

² OJ L 204, 25.7.1987.

³ OJ C 87, 2.4.1987; Bull. EC 3-1987, point 2.1.170.

⁴ OJ L 185, 4.7.1987.

⁵ OJ L 94, 28.4.1970.

⁶ COM(87) 349 final.

⁷ OJ L 209, 31.7.1987.

⁸ OJ L 211, 31.7.1981; Bull. EC 7/8-1981, point 2.1.100.

⁹ OJ L 248, 1.9.1987.

¹⁰ Bull. EC 6-1987, point 2.1.154.

195 800 tonnes (26%) the maximum guaranteed quantity.

Structures

Less-favoured areas in Germany

2.1.218. On 13 July the Council, acting on a proposal from the Commission,¹ and following the opinion of Parliament,² amended³ its Regulation of 30 June 1981 on a common measure to improve infrastructure in certain less-favoured agricultural areas of the Federal Republic of Germany.⁴ The aim of this amendment is to extend by one year the duration of the common measure in question so that its objectives can be achieved.

2.1.219. On 9 July Parliament adopted a resolution on Community financing of infrastructure in rural areas² (→ point 2.4.16).

*

Legislation

Veterinary and animal husbandry legislation

2.2.220. On 31 December 1985 the Council adopted a Directive prohibiting the use for fattening purposes in farm animals of certain substances with oestrogenic, androgenic, gestogenic or thyrostatic action.⁵ However, certain substances may be authorized for specifically defined therapeutic treatment and for obstetric treatments. Member States must also ensure that no animals which have had such substances administered to them or meat from such animals is dispatched from their territory to that of another Member State. Similar provisions apply in respect of imports from non-member countries. Subject to satisfactory assurances, the Council may grant derogations in respect of animals intended for reproduction and for reproductive ani-

mals at the end of their careers and in respect of meat from such animals where the animals have received an authorized treatment. The Commission has sent the Council a proposal to specify what assurances are required for the implementation of such a derogation.⁶

2.1.221. In July the Economic and Social Committee delivered an opinion (→ point 2.4.54) on the proposal for a Directive on health problems affecting the production and the placing on the market of egg products.⁷

Plant health legislation

2.1.222. On 1 July the Commission adopted a Decision requiring Italy to rescind the measures taken to protect itself against the introduction of harmful organisms associated with fresh cultivated mushrooms.⁸ The Commission, which took its decision in the context of the safeguard clause provided under the Community rules on plant health, did not accept the reasons put forward by Italy to justify a ban on imports of such mushrooms into Italy between 1 June and 31 December 1987.

Seeds and propagating material

2.1.223. On 13 July the Council, acting on a proposal from the Commission,⁹ amended³ its Directive of 14 June 1966 on the marketing of seed potatoes.¹⁰ This amendment is aimed at extending the possibility for Member States to apply equivalence arrangements determined at national level until the expiry of the derogations authorized by the Commission in respect of

¹ OJ C 115, 30.4.1987.

² OJ C 246, 14.9.1987.

³ OJ L 197, 18.7.1987.

⁴ OJ L 197, 20.7.1981; Bull. EC 6-1981, point 2.1.99.

⁵ OJ L 382, 31.12.1985; Bull. EC 5-1985, point 2.1.173.

⁶ COM(87) 61 final.

⁷ OJ C 67, 14.3.1987; Bull. EC 2-1987, point 2.1.136.

⁸ OJ L 208, 30.7.1987.

⁹ OJ C 121, 7.5.1987.

¹⁰ OJ 125, 11.7.1966.

imports into the Community of seed potatoes from Canada.

2.1.224. On 9 July the Commission sent to the Council two proposals for Council Decisions aimed at extending by one year, in the case of certain non-member countries, the equivalence of field inspections and other certification measures in respect of agricultural seed produced in non-member countries.¹ When in 1985 the Council renewed the equivalence for all of the countries concerned, it limited the period of validity of such equivalence to 30 June 1987 for those countries in respect of which the information on the procedures for checks or on the import arrangements for seed originating in the Community was considered insufficient or unsatisfactory.² Since not all the information required for the normal renewal of equivalence could be obtained by 30 June, equivalence had to be extended on a temporary basis.

Competition

2.1.225. Under the terms of Articles 92 to 94 of the EEC Treaty, the Commission decided to make no comment on the introduction of the following proposed schemes, which had been duly notified.

Germany

Baden-Württemberg

Aid to farms in difficulties.

Draft measures for the implementation of the Council Regulation of 12 March 1985 on improving the efficiency of agricultural structures.³ Mutual aid between holdings.

Agricultural and forestry promotion programme.

Rhineland-Palatinate

Measures relating to the authorization of agricultural structures. Environmental conservation and protection.

Agricultural and forestry promotion programme.

Lower Saxony

Environmental measures.

Hamburg

Aid to woodland holdings for the biological control of harmful insects, the replacement of foreign tree species by indigenous species that are more resistant and better suited to the climate in the region.

Greece

Aid for stock-, poultry- and arable-farmers who suffered losses as a result of natural disasters or through other causes in 1987.

Measures to improve crop production in 1987.

Aid to reorganize livestock production and improve livestock productivity; aid for research programmes on stock-farming; measures to promote fishing.

Italy

Bill No 282 of 18 June 1986 coordinated with Conversion Act No 462 of 7 August 1976.

Emergency measures to prevent and suppress fraud in the food sector.

Liguria

Amendment of Regional Act No 51 of 26 November 1984 on measures to establish and improve the ownership structure of cooperatives.

¹ COM(87) 305 final.

² OJ L 195, 26.7.1985.

³ OJ L 93, 30.3.1985; Bull. EC 3-1985, point 2.1.111 *et seq.*

Apulia

Bill introducing measures to promote increased use of alternative crops which are more resistant.

Regional Act introducing measures to improve the cultivation of tobacco.

Sicily

Regional measure on the 1987 estimate concerning the administration of State-owned woodlands and the multi-annual estimate for 1987-88. These measures are primarily of a budgetary nature.

Tuscany

Bill No 3/87 on grants to consortiums for active and passive defence measures against hail.

Luxembourg

Restructuring of the dairy industry and rationalization programme.

Netherlands

Investment aid for the storage of slurry.

United Kingdom

Measures to promote the Agricultural Development and Advisory Service.

Meat and Livestock Commission

Northern Ireland

Seed potato scheme.

Measures for the indemnification of sheep farmers for losses consequent on the accident at Chernobyl.

2.1.226. The Commission decided to initiate the procedure laid down in Article 93(2) of the EEC Treaty in respect of an Italian aid scheme relating to production and marketing standards for wine products and to penalties for failure to comply with

Community agricultural regulations — Decree Law No 179 of 8 May 1987.

2.1.227. The Commission decided to terminate the Article 93(2) procedure in respect of the following measures:

Italy**Lazio**

Regional Act No 60/84 establishing standards for producer groups and associations thereof in respect, in particular, of development, study, research, advertising and quality control programmes, in the light of the undertaking given by the Italian authorities to respect the restrictions and prohibitions laid down under Community law and to send projects under such programmes to the Commission for examination.

Sicily

Four Regional Acts (Nos 97/81, 87/82, 86/82 and 105/82) on various agricultural aid measures,¹ the Italian authorities having repealed or amended certain provisions and given undertakings to comply with the guidelines laid down by the Commission pursuant to Article 93 of the EEC Treaty.

France

Aid to fruit-growers in respect of hail insurance premiums, in the light of the fact that the French authorities have decided to reduce the level of aid as provided for under the framework arrangement for aid schemes of this type.

European Agricultural Guidance and Guarantee Fund**Guarantee Section**

2.1.228. On 13 July the Council, acting on a proposal from the Commission,²

¹ OJ L 305, 23.11.1984; OJ L 311, 29.11.1984; OJ L 7, 9.1.1985.

² Bull. EC 6-1987, point 2.1.193.

amended¹ Council Regulation (EEC) No 1883/78 of 2 August laying down general rules for the financing of interventions by the Guarantee Section of the EAGGF.² This amendment makes the Commission rather than the Council responsible in future for updating the list of measures which comply with the concept of intervention intended to stabilize the agricultural markets and which are financed by the EAGGF Guarantee Section.

2.1.229. On 10 July, following the call made by the European Council in June for an adjustment in the system of advance payments to ensure that the 1987 budget limit on EAGGF Guarantee spending would be observed,³ the Commission sent to the Council a proposal for a Regulation introducing special rules for the financing of the common agricultural policy.⁴

This proposal provides that, once the appropriations entered in the 1987 budget for the EAGGF Guarantee Section have been exhausted, the resources to enable the expenditure financed by the Guarantee Section to continue will be mobilized by the Member States. This proposal does not affect the action to be taken on the proposal⁵ to amend the Regulation of 21 April 1970 on the financing of the common agricultural policy,⁶ which the Commission sent to the Council on 6 May and which the Council will be discussing (→ point 2.1.182) in conjunction with the proposals on the future financing of the Community.⁷ The latter require, in addition, an adaptation of Article 98 of the Financial Regulation of 21 December 1977⁸ (→ point 1.1.10).

Appropriations remaining available under the 1987 budget are limited, and the Commission had had to be cautious in allocating advance payments to the Member States. In particular, it has refused to grant any special advance payments and has covered only 72% of stated requirements for September, with the aim of retaining certain financial resources to cover some of the November requirements.

Clearance of accounts

2.1.230. On 18 August the Commission adopted two Decisions on the clearance of the EAGGF Guarantee Section accounts for 1984 and 1985.⁹

The 1984 clearance relates to a total of 17 700 million ECU and the 1985 clearance to a total of 19 300 million ECU.

Seventy-eight inspections of disbursing agencies were carried out by the staff responsible for checking expenditure on the basis of supporting documents.

The 1984 clearance released for use an amount of 93.6 million ECU and the 1985 clearance an amount of 37.8 million ECU. In total, an additional balance of 131.4 million ECU was credited to 1987. However, in five cases clearance of the claims was separated out from the Commission Decisions in respect of 1984 and 1985.

EAGGF Guidance Section

EAGGF aid

2.1.231. Pursuant to the Regulation of 15 February 1977 (No 355/77) on improving the conditions under which agricultural products are processed and marketed,¹⁰ the Commission adopted on 30 June a number of decisions granting aid from the EAGGF Guidance Section.¹¹

Aid totalling 123 128 647 ECU was granted to 398 projects. Generally speaking, this aid

¹ OJ L 196, 17.7.1987.

² OJ L 216, 5.8.1978.

³ Bull. EC 6-1987, point 1.1.7.

⁴ OJ C 262, 1.10.1987; COM(87) 365 final.

⁵ OJ C 137, 22.5.1987, Bull. EC 5-1987, point 2.1.177.

⁶ OJ L 94, 28.4.1970.

⁷ Supplement 1/87 — Bull. EC; Bull. EC 2-1987, point 1.1.1 *et seq.*

⁸ OJ L 356, 31.12.1977.

⁹ OJ L 262, 12.9.1987.

¹⁰ OJ L 51, 23.2.1977.

¹¹ OJ C 256, 26.9.1987.

covers up to 25% of the total cost of the investments involved.

In the following regions, the level of aid is 35%: in France, Languedoc-Roussillon and the departments of Vaucluse, Bouches-du-Rhône, Var, Ardèche and Drôme; in Spain, the autonomous communities of Asturias, Cantabria, the Basque Country (except for the province of Vizcaya), Navarre, Rioja, Aragon (the province of Zaragoza), Catalonia (except for the province of Barcelona), Valencia, Murcia, Andalusia (except for the provinces of Granada and Huelva) and the Balearic Islands.

However, aid of up to 50% is granted in the following regions: the Mezzogiorno, the West of Ireland, all of Ireland for projects in the pig sector, all of Greece except for the Greater Athens region, in Portugal, the French overseas departments and, in Spain, the autonomous communities of Galicia, Castile-Leon, Castile-La-Mancha, Extremadura, Andalusia (the provinces of Granada and Huelva), Aragon (the provinces of Huesca and Teruel) and the Canary Islands.

The breakdown by Member State of the first tranche for 1987 is given in Table 5.

Table 5 — *In EAGGF Guidance Section aid for the processing and marketing of agricultural products under Regulation (EEC) No 355/77*

	Number of projects	Aid granted	
		in national currency	in ECU ¹
Belgium	23	199 171 703	4 619 652
Denmark	23	21 328 063	2 724 537
Germany	30	17 939 680	8 633 644
Greece	28	3 148 318 166	20 488 325
Spain	79	1 627 786 397	11 185 074
France	64	126 441 879	18 240 737
Ireland	17	10 482 781	13 477 649
Italy	39	35 022 722 716	23 560 367
Luxembourg	—	—	—
Netherlands	8	6 628 548	2 826 492
Portugal	40	1 701 110 513	10 569 054
United Kingdom	47	4 752 174	6 803 116
Total	398	—	123 128 647

¹ May 1987 exchange rates

2.1.232. Pursuant to Regulation (EEC) No 1943/81 of 30 June 1981 on a common measure to improve the processing and marketing conditions in the cattlefeed sector in Northern Ireland,¹ the Commission adopted on 30 June a Decision granting a total of 433 051 ECU in EAGGF Guidance Section aid for 1987.²

2.1.233. Pursuant to Regulation (EEC) No 1941/81 of 30 June 1981 on an integrated

development programme for the less-favoured areas of Belgium³ the Commission adopted on 30 June four Decisions granting a total of 214 054 ECU⁴ in EAGGF Guidance Section aid for 1987.

¹ OJ L 197, 20.7.1981.

² May 1987 exchange rates; OJ C 256, 26.9.1987.

³ OJ L 197, 20.7.1981.

⁴ May 1987 exchange rates; OJ C 253, 23.9.1987.

2.1.234. Pursuant to Regulation (EEC) No 1938/81 of 30 June 1981 on a common measure to improve infrastructure in certain less-favoured agricultural areas of the Federal Republic of Germany,¹ the Commission adopted on 24 July a number of Decisions granting EAGGF Guidance Section aid for 1987. Aid totalling 3 256 885 ECU² was granted to 15 projects.

2.1.235. Pursuant to Regulation (EEC) No 458/80 of 18 February 1980 on collective projects for the restructuring of vineyards,³ the Commission adopted on 24 July a number of Decisions granting aid for 1987. Aid totalling 28 978 216 ECU⁴ was granted to 115 projects, as follows:

France: 5 projects totalling 1 720 709 ECU;

Germany: 7 projects totalling 2 384 550 ECU;

Italy: 24 projects totalling 7 466 548 ECU;

Spain: 29 projects totalling 17 406 409 ECU.

2.1.236. On 31 July the Commission sent the Council and Parliament the 17th financial report on the EAGGF Guidance Section for 1986.⁵

The appropriations allocated to the Guidance Section are relatively small (approximately 4% of the total EAGGF budget), compared with the Guarantee Section. In 1985 and 1986 the budget appropriations were up slightly on 1984, making possible a corresponding increase in aid from the Guidance Section.

Among the common measures, the scheme for the improvement of marketing and processing structures for agricultural products was once again in 1986, as in previous years, the scheme for which the largest total sum was committed. 372.7 million ECU was assigned to this measure, enabling 968 projects to be financed.

As regards direct measures to promote agriculture in the Mediterranean areas, 1985 was the last year in which the EAGGF Guidance Section was involved in the financing of special programmes and projects. From

1986 these measures can be financed only under the Regulation of 23 July 1985 concerning the integrated Mediterranean programmes.⁶

Among the measures involving reimbursements ('indirect' measures), the scheme relating to mountain and hill farming and farming in certain less-favoured areas entailed expenditure of 193.2 million ECU and again ranked second in financial terms.

The measure on the modernization of farms involved expenditure of 99.1 million ECU. Expenditure on various measures connected with wine-growing, in particular the restructuring and conversion of vineyards, amounted to only 20.1 million ECU in 1986, while expenditure on milk non-marketing premiums, a scheme which is drawing to an end, fell to 6.3 million ECU in 1986.

2.1.237. On 7 August, following the opinion of Parliament,⁷ the Commission sent to the Council an amendment⁸ of its proposal for a Regulation on the monitoring of the payment of the amounts granted on export of agricultural products.⁹

Fisheries

Resources

Internal aspects

Community measures

Control measures

2.1.238. On 23 July the Council, acting on a proposal from the Commission,¹⁰ adopted

¹ OJ L 197, 20.7.1981.

² June 1987 exchange rates.

³ OJ L 57, 29.2.1980.

⁴ July 1987 exchange rates.

⁵ COM(87) 357 final.

⁶ OJ L 197, 27.7.1985; Bull. EC 7/8-1985, point 2.1.106.

⁷ OJ C 190, 20.7.1987; Bull. EC 6-1987, point 2.1.195.

⁸ OJ C 239, 5.9.1987; COM(87) 390 final.

⁹ OJ C 29, 6.2.1987; Bull. EC 1-1987, point 2.1.114.

¹⁰ Bull. EC 5-1987, point 2.1.184.

a consolidated version¹ of its Regulation of 29 June 1982 establishing certain control measures for fishing activities.²

Technical measures

2.1.239. On 16 July the Council amended³ its Regulation of 30 December 1986 establishing the list of vessels exceeding eight metres length overall permitted to use beam trawls within certain coastal areas of the Community.⁴

2.1.240. On 16 July the Commission also amended³ its Regulation of 31 December 1986 establishing the list of vessels exceeding eight metres length overall which are permitted to use within certain coastal areas of the Community beam trawls whose aggregate length exceeds 12 metres.⁴

Prohibition measures

2.1.241. On information received from the national authorities concerning the exhaustion of certain quotas, the Commission prohibited:

(i) vessels flying the flag of any Member State from fishing for sandeel in ICES division IV (Norwegian waters) with effect from 15 July⁵ and for Norway pout in the same waters from 25 August;⁶

(ii) Portuguese vessels from fishing for cod in ICES division IIb with effect from 4 July;⁷

(iii) Danish vessels from fishing for shrimps in ICES division IV (Norwegian waters) with effect from 15 July;⁵

(iv) United Kingdom vessels from fishing for plaice and saithe in ICES divisions Vb (EC zone), VI, XII and XIV with effect from 17 July;⁸

(v) Spanish vessels from fishing for cod in ICES division IIb with effect from 28 July;⁹

(vi) Irish vessels from fishing for saithe in ICES divisions Vb. (EC zone), VI, XII and XIV with effect from 7 August¹⁰ and for pollack in the same waters from 1 September;¹¹

(vii) Belgian vessels from fishing for plaice in ICES divisions VIIa and IIIa Skagerrak with effect from 14 August;¹²

(viii) Dutch vessels from fishing for haddock in ICES divisions IIIA and IIIb, c and d (EC zone) with effect from 2 July,¹³ for herring in ICES divisions Vb (EC zone), VIa North and VIb from 1 September¹¹ and for plaice in ICES division IIIA Skagerrak, also from 1 September;¹¹

(ix) German vessels from fishing for cod in ICES division IIb with effect from 1 September;¹¹

(x) Community vessels from fishing for Norway pout in ICES division IV (Norwegian waters) with effect from 24 August;⁶

(xi) Belgian, German, French and Dutch vessels from fishing for 'other species' in ICES division IV (Norwegian waters).

2.1.242. On 14 July⁵ and 24 August¹⁴ respectively, the Commission repealed its Regulations prohibiting Dutch vessels from fishing for cod in ICES divisions IIa (EC zone) and IV¹⁵ and prohibiting Community vessels other than those from Spain and Portugal from fishing for horse mackerel in ICES division VIII (with the exception of VIIIc).¹⁶

National measures

Protection of local stocks

2.1.243. The Commission, acting under Article 14 of the Regulation of 7 October 1986,¹⁷ took note:

¹ OJ L 207, 29.7.1987.

² OJ L 220, 29.7.1982; Bull. EC 6-1982, point 2.1.128.

³ OJ L 196, 17.7.1987.

⁴ OJ L 8, 10.1.1987; Bull. EC 12-1986, point 2.1.258.

⁵ OJ L 194, 15.7.1987.

⁶ OJ L 241, 25.8.1987.

⁷ OJ L 187, 7.7.1987.

⁸ OJ L 201, 22.7.1987.

⁹ OJ L 206, 28.7.1987.

¹⁰ OJ L 218, 7.8.1987.

¹¹ OJ L 248, 1.9.1987.

¹² OJ L 231, 18.8.1987.

¹³ OJ L 227, 14.8.1987.

¹⁴ OJ L 242, 26.8.1987.

¹⁵ OJ L 136, 26.5.1987; Bull. EC 5-1987, point 2.1.185.

¹⁶ OJ L 167, 26.6.1987; Bull. EC 6-1987, point 2.1.200.

¹⁷ OJ L 288, 11.10.1986; Bull. EC 10-1986, point 2.1.174.

(i) on 1 July of a draft United Kingdom Order applying to the fishing grounds lying within the baselines along the coast of southern England and falling within the jurisdiction of the Southern Sea Fisheries District;

(ii) on 27 August of a draft amendment to a United Kingdom by-law applying to a part of Bridlington Bay within the fishing grounds along the north-eastern coast of England falling within the jurisdiction of the North-Eastern Sea Fisheries District;

(iii) on 27 August of three draft United Kingdom by-laws proposed by the South Wales Sea Fisheries Committee applying within the fishing grounds along the south-western coast of England falling within that authority's jurisdiction.

Measures stricter than Community rules

2.1.243a. On 28 August the Commission took note of a Belgian Royal Decree laying down certain rules on the control of fishing activities. The Commission found Article 3 of the Decree to be compatible with Article 14(1)(b) of the Council Regulation of 7 October 1986¹ and the other measures laid down by the Decree to be compatible with Article 14(1) of the Council Regulation of 29 June 1982² or Article 4 of the Commission Regulation of 22 September 1983³ and with Annex IV, points 4.2.1 and 2, to that Regulation.

Implementation of Community rules

2.1.244. The Commission took note of the following measures:

(i) on 1 June of a 1986 Dutch regulation accompanied by two amending regulations of the same year introducing closed seasons for fishing in 1986 in order to ensure an even spread of the catches taken by Dutch vessels licensed for fishing in Dutch waters; the Commission found these three measures to be compatible with Article 5(2) of Regulation (EEC) No 170/83 of 25 January 1983⁴ and with Article 14(1) of the Regulation of 29 June 1982;²

(ii) on 7 July of seven Dutch measures, namely a Decision of 28 December 1984 on the limitation of catches, together with five amending decrees and a decree stopping fishing for cod which are aimed at ensuring compliance in Dutch fishing grounds with the Regulation of 19 December 1984⁵ and the successive amendments thereto in 1985; the Commission found these seven measures to be compatible with Article 5(2) of Council Regulation (EEC) No 170/83 of 25 January 1983;⁴

(iii) on 28 August of a United Kingdom Order implementing with effect from 1 July 1987 in respect of United Kingdom vessels fishing in all waters and of vessels from other Member States fishing in United Kingdom waters certain provisions of the Council Regulation of 29 June 1982,² as amended by the Council Regulation of 20 December 1985,⁶ and of the Commission Regulation of 22 September 1983.³

External aspects

Bilateral relations

Norway

2.1.245. On 31 July the Council, acting on a proposal from the Commission,⁷ amended⁸ its Regulation of 22 December 1986 allocating certain catch quotas between Member States for vessels fishing in the Norwegian economic zone and the fishery zone around Jan Mayen.⁹ The purpose of this amendment is to transpose into Community law the agreement reached by the Community and Norway on fishing quotas in Norwegian waters and certain prohibitions imposed by Norway on the discarding of cod and haddock.

¹ OJ L 288, 11.10.1986; Bull. EC 10-1986, point 2.1.174.
² OJ L 220, 29.7.1982; Bull. EC 6-1982, point 2.1.128.
³ OJ L 276, 10.10.1983.
⁴ OJ L 24, 27.1.1983.
⁵ OJ L 1, 1.1.1985; Bull. EC 12-1984, point 2.1.174.
⁶ OJ L 361, 31.12.1985; Bull. EC 12-1985, point 2.1.185.
⁷ COM(87) 316 final.
⁸ OJ L 216, 6.8.1987.
⁹ OJ L 376, 31.12.1986; Bull. EC 12-1986, point 2.1.265.

Mozambique

2.1.246. On 13 July the Council, acting on a proposal from the Commission,¹ adopted a Regulation on the conclusion of an Agreement between the Community and the Government of the People's Republic of Mozambique concerning fishing off the Mozambique coast.²

Morocco

2.1.247. The Fisheries Agreement between Spain and Morocco expired on 31 July and the Community and Morocco therefore exchanged letters³ on transitional fisheries arrangements for the period 1 August to 31 December in order to avoid any interruption in the fishing activities of Community vessels in Moroccan waters pending the conclusion of a more long-term agreement still being negotiated.

Guinea

2.1.248. The Joint Committee provided for in the Fisheries Agreement between the Community and Guinea⁴ met in Brussels on 29 and 30 July.

Multilateral relations*Convention on the Conservation of Antarctic Marine Living Resources*

2.1.249. On 23 July the Council, acting on a proposal from the Commission,⁵ amended⁶ its Regulation of 2 August 1985 laying down certain technical measures for the conservation of fish stocks in the Antarctic.⁷

Baltic Sea, Belts and Sound

2.1.250. On 23 July the Council, acting on a proposal from the Commission,⁸ amended⁶ its Regulation of 12 June 1986 laying down certain technical measures for the conservation of fishery resources in the waters of the Baltic Sea, the Belts and the Sound.⁹

North-West Atlantic Fisheries Organization (NAFO)

2.1.251. In June 1986 the Community gave notice to NAFO that it would no longer consider itself bound by the Scheme of Joint International Enforcement for the North-West Atlantic as from one year after the date of the said notice and undertook to control its fishing activities in the Regulatory Area in the interest of the conservation of resources.¹⁰ On 28 July the Commission accordingly sent to the Council a proposal for a Regulation establishing an interim autonomous scheme of control in respect of Community vessels operating in the NAFO Regulatory Area.¹¹

2.1.252. The Commission took part in the sixth session of the Western-Central Atlantic Fishery Commission (WECAFC) held in Mexico City from 27 to 31 July and in the third session of the Committee for the Development and Management of Fisheries in the Lesser Antilles which was held in Fort de France, Martinique, from 21 to 23 July.

Market and structures*Market organization*

2.1.253. On 11 August the Commission sent to the Council a report entitled 'The market for sardines in the Community: situation and outlook'.¹² In certain regions of the enlarged Community sardine production plays an important part in maintaining the balance of the fisheries sector

¹ OJ C 79, 26.3.1983.

² OJ L 201, 22.7.1987.

³ OJ L 232, 19.8.1987.

⁴ OJ L 111, 27.4.1983; OJ L 29, 30.1.1987.

⁵ Bull. EC 6-1987, point 2.1.213.

⁶ OJ L 207, 29.7.1987.

⁷ OJ L 210, 7.8.1985; Bull. EC 7/8-1985, point 2.1.176.

⁸ Bull. EC 6-1987, point 2.1.214.

⁹ OJ L 152, 18.6.1986; Bull. EC 6-1986, point 2.1.216.

¹⁰ Bull. EC 6-1986, point 2.1.214.

¹¹ COM(87) 374 final.

¹² COM(87) 219 final.

but is now facing serious competition. The Commission has therefore analysed the factors on which the survival of the sardine fisheries is dependent, in terms of structure, market organization and trade with non-member countries.

2.1.254. On 10 July the Commission adopted a Regulation making imports of certain frozen squid subject to observance of the reference price.¹ This measure, which will apply only until 31 October, was introduced as a result of the considerable build-up of stocks of frozen squid in the Community, substantial quantities having been imported from Poland at abnormally low prices, particularly into Italy.

2.1.255. On 23 July the Commission adopted a Regulation fixing the reference prices for carp for the 1987/88 marketing year.² The prices, which had remained unchanged from the preceding marketing year (except for a 1% increase in December), were set at the following levels:

1 August to 30 November 1987: 1 715 ECU/tonne

1 to 31 December 1987: 1 506 ECU/tonne

1 January to 31 July 1988: 1 373 ECU/tonne.

2.1.255a. On 28 July the Commission amended³ its Regulation of 23 December 1986 fixing, for the 1987 fishing year, the annual import quotas for the fishery products subject to the rules for the application of quantitative restrictions by Spain and Portugal.⁴ The amendment raises the Portuguese import quota for frozen hake from the original figure of 9 000 tonnes to 10 500 tonnes. The additional 1 500 tonnes are entered in the third quarterly instalment.

2.1.255b. On 31 July the Commission amended⁵ its Regulation of 23 December 1986 fixing the standard values to be used in calculating the financial compensation and the advance pertaining thereto in respect of fishery products withdrawn from the market for the 1987 fishery year.⁶ The amendment adjusts the standard values to take account of the price changes recorded

on the Community market for certain products.

Structures

2.1.256. On 6 July the Commission adopted two Decisions⁷ approving programmes for the processing and marketing of fishery and aquaculture products for the period 1987-91, submitted by Spain and Portugal pursuant to Council Regulation (EEC) No 355/77.⁸

2.1.257. On 27 July the Commission adopted a Decision fixing for 1987 the maximum level of eligible expenditure by Member States on measures to adjust capacities in the fisheries sector.

Transport

Infrastructure

2.1.258. On 18 August the Commission sent to the Council and Parliament its 13th annual report on expenditure on and utilization of rail, road and inland waterway infrastructure, for 1983.⁹

Inland transport

Railways

2.1.259. On 8 July, in accordance with the Council Regulation of 12 December 1977 on the measures necessary to achieve comparability between the accounting systems and annual accounts of railway undertak-

¹ OJ L 192, 11.7.1987.

² OJ L 203, 24.7.1987.

³ OJ L 207, 29.7.1987.

⁴ OJ L 379, 31.12.1986; Bull. EC 12-1986, point 2.1.248.

⁵ OJ L 210, 1.8.1987.

⁶ OJ L 379, 31.12.1986; Bull. EC 12-1986, point 2.1.283.

⁷ OJ L 208, 30.7.1987.

⁸ OJ L 51, 23.2.1977.

⁹ COM(87) 356 final.

ings,¹ the Commission sent the Council its eighth report on the annual accounts of these undertakings, covering 1984.²

Road transport

2.1.260. On 7 August the Commission sent the Council a proposal for a Regulation on a Community programme in the field of information technology applied to road transport (Drive) (→ point 2.1.68).³

2.1.261. At its July session the Economic and Social Committee issued a favourable opinion on the proposal for a Council Decision on common action to adopt the consolidated resolution of the United Nations Economic Commission for Europe on the facilitation of road transport (→ point 2.4.57).⁴

2.1.262. In July the Economic and Social Committee issued an opinion on the proposal for a Council Regulation on access to the market for the carriage of goods by road between Member States (→ point 2.4.55).⁵

2.1.263. The Economic and Social Committee also issued an opinion on the communication from the Commission to the Council on the elimination of distortions of competition of a fiscal nature in the transport of goods by road: a study of vehicle taxes, fuel taxes and tools (→ point 2.4.56).⁶

Sea transport

2.1.264. On 9 July the Commission transmitted to the Council,⁷ and on 28 July amended,⁸ a proposal for a Decision authorizing Italy to conclude an agreement with Algeria on maritime transport between the two countries, in accordance with the Council Regulation of 22 December 1986 applying the principle of freedom to provide services to maritime transport.⁹ However, Italy has been requested to ratify the Code of Conduct for Liner Conferences and to change the cargo sharing arrangements in

the agreement so as to bring them into conformity with Community law.

2.1.265. On 17 August the Commission sent the Council a proposal for a Decision concerning coordinated action to safeguard free access to ocean trades and freedom to provide services in maritime transport with West African and Central African States.¹⁰

This proposal was presented in response to a request made by the Danish Government to the Commission on 20 July concerning the interests of Danish shipowners and shippers, who considered that they were harmed by the measures taken by the West and Central African States regarding the organization of trade between Europe and these countries.

The proposal, which is based on two Council Regulations on 22 December 1986,⁹ suggests that the coordinated action should take the form of consultations with the African States, to take place, from 1 November, within the context of relations between the ACP States and the Community more specifically, under the third Lomé Convention.

Energy

Specific problems

Solid fuels

Market

2.1.266. The Commission adopted at the second reading its report on the market for

¹ OJ L 334, 24.12.1977.

² COM(87) 311 final. Seventh report: Bull. EC 6-1986, point 2.1.227.

³ COM(87) 351 final.

⁴ Bull. EC 10-1984, point 2.1.124.

⁵ OJ C 65, 12.3.1987; Bull. EC 11-1986, point 2.1.228.

⁶ Bull. EC 12-1986, point 2.1.298.

⁷ COM(87) 336 final.

⁸ COM(87) 380 final.

⁹ OJ L 378, 31.12.1986; Bull. EC 12-1986, point 2.1.300.

¹⁰ COM(87) 417 final.

solid fuels in the Community in 1986 and the outlook for 1987,¹ the ECSC Consultative Committee having delivered its opinion.²

State aid to the coal industry

2.1.267. On 31 July the Commission authorized,³ pursuant to its Decision of 30 June 1986 establishing Community rules for State aid to the coal industry,⁴ the granting of aid in 1987 by the Federal Republic of Germany, the United Kingdom, Spain and Portugal.

Demonstration projects

2.1.268. On 29 July the Commission decided, on the basis of the Regulation of 20 December 1985,⁵ to grant aid totalling 32 653 300 ECU to 15 demonstration projects and industrial pilot projects concerning solid fuels. Ten of these projects concern the substitution of solid fuels for oil while the remaining five relate to the liquefaction and gasification of solid fuels.

Oil and gas

Substitute fuels

2.1.269. On 29 July the Commission adopted a Directive⁶ supplementing the Council Directive of 5 December 1985 on crude oil savings through the use of substitute fuel components in petrol.⁷ As the 1985 Directive authorizing the addition of oxygenates to petrol within the prescribed limits enters into force on 1 January 1988 and it will not be possible to establish a common method for measuring the oxygenate content of petrol by then, the Directive had to be amended so as to permit the use of national methods in the meantime. The Annex to the new Directive lists the nine methods authorized for this purpose.

Technological development

2.1.270. The Commission decided on 29 July, acting under the Council Regulation

of 20 December 1985 on a programme of support for technological development in the hydrocarbons sector,⁸ to grant financial support totalling 36.6 million ECU to 76 projects submitted in response to the Commission's earlier invitation.⁹

This support is designed to promote the development of new technologies in oil and gas exploration, production, storage or transportation in order to reduce costs, improve safety and increase the efficiency of activities in this field.

2.1.271. On the basis of the same Regulation,⁸ an invitation to submit applications for support in 1988 was published in the *Official Journal* on 7 August.¹⁰

Nuclear energy

2.1.272. The Commission sent to the Council a report drawn up by the *ad hoc* Advisory Committee on the Reprocessing and Storage of Irradiated Nuclear Fuels.¹¹ This report reviews the situation and considers the outlook until the year 2005.

2.1.273. On 7 July Parliament adopted a resolution on the dangers of the privatization of nuclear energy (→ point 2.4.16).¹²

Nuclear safety

Radiation protection

2.1.274. On 8 and 9 July the Commission, in collaboration with the European Trade

¹ Bull. EC 6-1987, point 2.1.230. The report is summarized in OJ C 207, 4.8.1987.

² Bull. EC 6-1987, point 2.4.28.

³ OJ L 241, 25.8.1987.

⁴ OJ L 177, 1.7.1986; Bull. EC 6-1986, point 2.1.236.

⁵ OJ L 350, 27.12.1985; Bull. EC 12-1985, point 2.1.226.

⁶ OJ L 238, 21.8.1987.

⁷ OJ L 334, 21.12.1985; Bull. EC 12-1985, point 2.1.223.

⁸ OJ L 350, 27.12.1985; Bull. EC 12-1985, point 2.1.221.

⁹ OJ C 183, 22.7.1986; Bull. EC 7/8-1986, point 2.1.216.

¹⁰ OJ C 210, 7.8.1987.

¹¹ Bull. EC 2-1982, point 2.1.102.

¹² OJ C 246, 14.8.1987.

Union Confederation, held an information meeting on radiation protection for the benefit of trade union representatives. The subjects discussed at the meeting included the proposal for a Council Regulation laying down maximum permitted radioactivity levels of foodstuffs, feedingstuffs and drinking water in the case of abnormal levels of radioactivity or of a nuclear accident,¹ and a proposal for a Council Decision on a Community system of rapid exchange of information in cases of abnormal levels of radioactivity or of a nuclear accident.²

2.1.275. The group of scientific experts in the fields of radiation protection and public health, provided for in Article 31 of the Euratom Treaty, met in Luxembourg on 15 July.

They exchanged data on the recorded doses received by workers casually employed in nuclear plants; in the light of the conclusions of this group of experts, the Commission will draw up a proposal on the provision of adequate protection for temporary workers, especially cross-frontier commuters. On the basis of preliminary studies the group agreed on a plan of work relating to the exposure of the population to natural radiation in dwellings. Lastly, it expressed an opinion on a draft questionnaire concerning dosimeters used to test radiodiagnostic equipment.

2.1.276. On 20 and 28 July respectively, the Commission delivered opinions under Article 37 of the Euratom Treaty concerning

the French nuclear power stations at Belleville (units 1 and 2)³ and at Nogent-sur-Seine (units 1 and 2).⁴

Basic standards

2.1.277. At its July session the Economic and Social Committee delivered a favourable opinion on the Commission proposal laying down maximum permitted radioactivity levels for foodstuffs, feedingstuffs and drinking water (→ point 2.4.58).¹

Radioactive waste

2.1.278. On 31 July the Commission sent the Council, Parliament and the Economic and Social Committee a communication on the present situation and prospects in the field of radioactive waste management in the Community (→ point 2.1.56).

*

2.1.279. At its July part-session Parliament adopted a resolution on recent nuclear accidents in the Community⁵ (→ point 2.4.16).

2.1.280. In July the Economic and Social Committee adopted an own-initiative opinion on the consequences of the Chernobyl accident (→ point 2.4.59).

¹ OJ C 174, 2.7.1987; Bull. EC 5-1987, point 2.1.208.

² OJ C 160, 18.6.1987; Bull. EC 4-1987, point 2.1.148.

³ OJ L 228, 15.8.1987.

⁴ OJ L 238, 21.8.1987.

⁵ OJ C 246, 14.9.1987.

2. External relations

New round of multilateral trade negotiations

Trade Negotiations Committee

2.2.1. At a meeting on 3 July the Trade Negotiations Committee took stock of the situation regarding the standstill and rollback commitments on the basis of the work done by the Surveillance Body. It was agreed that Guatemala should be allowed to participate in the Uruguay Round negotiations. Lastly, the Committee decided which international organizations would be given observer status during the negotiations.

Negotiating group meetings

Group of Negotiations on Goods

2.2.2. The Group of Negotiations on Goods, which met on 26 June, took stock of the results of the rounds of meetings of the 14 negotiating groups¹ and confirmed the dates of the third round, to be concluded by the end of the year.

Market access groups

2.2.3. The negotiating groups working on tariffs, non-tariff measures, natural resource-based products and textiles met for the third time² on 30 June and 1 July. The Non-tariff Measures Group considered the possibility of setting up an integrated data base. In the Natural Resource-based Products Group the Community stated its position on fisheries and also on certain distortions affecting trade in commodities.

*

2.2.4. On 2 July the Economic and Social Committee adopted an opinion on the

impact of current US economic and political developments on the Uruguay Round³ and international trade (→ point 2.4.60).

Commercial policy

Commercial policy instruments

Easing of restrictive measures

2.2.5. Under the Council Regulation of 14 November 1983 on import arrangements for products originating in State-trading countries, not liberalized at Community level,⁴ the Commission opened the following quotas:

United Kingdom—German Democratic Republic: Meissen porcelain (CCT 69.11 ex A, ex B and 69.13 ex B);⁵

Italy—Bulgaria: atactic polypropylene (CCT 39.02C ex IV — Nimexe code 39.02.22);⁶

Italy—German Democratic Republic: seamless tubes (CCT 73.13 ex B); tool boxes (CCT ex 73.40); umbrellas (CCT 66.01);⁶

Spain—Poland: stereophonic radio tuners not capable of operating without an external source of power (CCT 85.15 A III b ex 2);⁷

Spain—Soviet Union: television receivers for black and white (CCT 85.15 A III B ex 2); parts (CCT 85.15 C II ex C);⁷

Spain—German Democratic Republic: diodes, transistors (CCT 85.21 D ex II);⁷

Spain—People's Republic of China: radio-broadcast receivers (CCT 85.15 A III ex

¹ Bull. EC 4-1987, point 2.2.2.

² Bull. EC 4-1987, point 2.2.3.

³ Bull. EC 9-1986, point 1.4.1 *et seq.*

⁴ OJ L 346, 8.12.1983.

⁵ OJ C 176, 4.7.1987.

⁶ OJ C 201, 29.7.1987.

⁷ OJ C 205, 1.8.1987.

B); television receivers for black and white (CCT 85.15 A III b ex 2);¹

Benelux—German Democratic Republic: seamless tubes (CCT 73.18 ex A, ex B);²

Germany—Romania: textile products by outward processing traffic (Category 6).³

Trade protection

2.2.6. The trade protection measures taken in July and August are shown in Table 6.

¹ OJ C 205, 1.8.1987.

² OJ C 208, 5.8.1987.

³ OJ C 209, 6.8.1987.

Table 6 — *Trade protection measures*

Council	Commission ¹
Anti-dumping proceedings	Anti-dumping proceedings
<i>New definitive anti-dumping duty on imports of:</i>	<i>Provisional anti-dumping duty on imports of:</i>
Vinyl acetate monomer originating in the United States OJ L 213, 4.8.1987 (initial anti-dumping duty: OJ L 129, 15.5.1981)	Ferro-silicon originating in Brazil; acceptance of undertakings offered by Italmagnesio SA of Brazil and Promsyrio-Import of the USSR OJ L 219, 8.8.1987 (initiation of proceeding: OJ C 231, 12.9.1986; OJ C 77, 24.3.1987)
Copper sulphate originating in Czechoslovakia or the USSR OJ L 235, 20.8.1987 (initial anti-dumping duty: OJ L 274, 7.10.1983)	Mercury originating in the USSR OJ L 227, 14.8.1987 (initiation of proceeding: OJ C 5, 28.2.1987)
<i>Definitive anti-dumping duty on imports of:</i>	<i>Initiation of anti-dumping proceedings concerning imports of:</i>
Mechanical wrist-watches originating in the USSR OJ L 213, 4.8.1987 (previous definitive anti-dumping duty declared void by the Court of Justice but maintained until now: OJ L 207, 15.7.1982)	Synthetic textile fibres of polyesters originating in Mexico, Romania, Taiwan, Turkey, the United States or Yugoslavia OJ C 173, 1.7.1987
Standardized multiphase electric motors having an output of more than 0.75 kW but not more than 75 kW originating in Yugoslavia OJ L 218, 7.8.1987 (provisional anti-dumping duty: OJ L 102, 14.4.1987)	Polyester yarn originating in Mexico, South Korea, Taiwan or Turkey OJ C 173, 1.7.1987
<i>Termination of the review proceeding and repeal of the anti-dumping measures concerning imports of:</i>	Compact disc players originating in South Korea or Japan OJ C 178, 7.7.1987
Urea and ammonium nitrate in liquid solution originating in the United States OJ L 208, 30.7.1987 (anti-dumping duty: OJ L 39, 12.2.1981)	Certain types of electronic micro-circuits known as Drams (dynamic random access memories) originating in Japan OJ C 181, 9.7.1987
	Certain cellular mobile telephones originating in Canada or Japan OJ C 185, 15.7.1987
	<i>Acceptance of undertaking and termination of investigation concerning imports of:</i>
	Copper sulphate originating in Poland or the USSR OJ L 235, 20.8.1987 (definitive anti-dumping duty: OJ L 274, 7.10.1983)
	<i>Expiry of anti-dumping measures concerning imports of:</i>
	Haematite pig iron originating in Brazil OJ C 178, 7.7.1987 (anti-dumping duty: OJ L 120, 16.5.1979; L 153, 21.6.1979)

Council	Commission ¹
	Certain polypropylene films originating in Japan OJ C 178, 7.7.1987 (acceptance of undertakings: OJ L 172, 18.6.1982) Hardboards originating in Hungary or Spain OJ C 178, 7.7.1987 (acceptance of undertakings: OJ L 181, 25.6.1982) Insulating board originating in Czechoslovakia, Norway, Poland or Sweden OJ C 178, 7.7.1987 (acceptance of undertakings: OJ L 181, 25.6.1982)

¹ For steel products, see points 2.1.39 to 2.1.42.

2.2.7. On 22 July the Commission took a decision on surveillance and protective measures which Member States may be authorized to take pursuant to Article 115 of the EEC Treaty¹ (→ point 2.1.4).

Treaties and trade agreements: extension or automatic renewal

2.2.8. On 20 July the Council authorized² the extension or automatic renewal of certain trade agreements between Member States and other countries for which the date for giving notice falls between 1 May and 31 July (second batch for 1987)³.

Individual sectors⁴

Textiles

Agreements and arrangements with non-member countries

MFA countries

2.2.9. A first round of consultations between the Community and Pakistan was held in Brussels on 23 and 24 July with a view to introducing a quantitative limit on Pakistani exports of synthetic fabrics (Category 3) to France and Italy. Further talks were held in Brussels on 3 August and are to resume in Islamabad before 18 September

2.2.10. Consultations with Thailand took place in Geneva on 22 July. It was agreed that Thailand would limit its exports to France of Category 75 products (men's and boys' knitted suits) for the period 1987-91.

2.2.11. Consultations with Poland were held in Brussels on 27 July. A quantitative limit was agreed for Polish exports of knitted trousers (Category 28) to France.

2.2.12. Consultations with the Philippines were held in Manila on 27 and 28 July. It was agreed to limit exports to France of Category 16 products (men's and boys' suits other than knitted) for the period 1987-91.

2.2.13. Consultations with Indonesia were held in Brussels on 30 and 31 July with a view to introducing a quantitative limit on Indonesia's exports of cotton fabrics (Category 2) to the Community. Both sides agreed to resume consultations in Jakarta in the second week of September.

2.2.14. Lastly, consultations with South Korea on 5 and 6 August led to the introduction of quantitative limits on Korean exports of synthetic yarns (Category 4) to Spain and Italy and exports of artificial fabrics (Category 36) to France.

¹ OJ L 238, 21.8.1987.

² OJ L 202, 23.7.1987.

³ Bull. EC 4-1987, point 2.2.7.

⁴ For steel products, see point 2.1.35 *et seq.*

Mediterranean preferential countries

2.2.15. Consultations with Turkey took place in Brussels on 13 and 14 July to examine a number of issues concerning management of the administrative cooperation arrangement. There was also a preliminary exchange of views on renewal of the arrangement. This matter will be taken up again in September when consultations are resumed.

Relations with industrialized countries

United States

2.2.16. Mr Andriessen and Mr De Clercq visited Washington from 7 to 9 July. The purpose of their visit was to meet Congressional leaders and make known the Community's position on the Trade Bill currently before Congress, review the state of Community-US relations with members of the US Government and discuss a number of outstanding bilateral trade problems (pasta, hormones, etc.) and recent developments in the Uruguay Round.

Citrus fruit and pasta dispute

2.2.17. On 7 August Community and United States negotiators reached agreement¹ in the dispute over Community pasta export refunds.² The settlement provides for an initial reduction of 27.5% in the refund on Community exports of pasta to the United States and the reintroduction of inward processing relief with equivalent compensation for Community exports of pasta to the United States in accordance with the Regulation of 24 November 1986³ laying down provisions for the implementation of the Regulation of 16 July 1985 on inward processing relief arrangements.⁴ The aim is for 50% of Community pasta exports to the United States to be carried out under inward processing relief arrangements, which in this case would allow durum wheat to be imported without a

levy and corresponding pasta products to be exported without a refund. A detailed review mechanism is provided so that the export refund reduction can be finely tuned to ensure that this objective is met.

This settlement forms part of the Agreement of 10 August 1986 on Mediterranean preferences, citrus fruit and pasta⁵ and will enter into force provisionally on 1 October. It will take effect definitively on the date of implementation of the tariff reductions agreed by both sides in the Annex to the Agreement on Mediterranean preferences. (The actual date will be determined by the adoption of relevant legislation by the US Congress).

Both sides also agreed to re-examine the pasta export refund issue in the Uruguay Round negotiations.

Canada

2.2.18. On 29 July Mr Karl-Heinz Narjes, Vice-President of the Commission, and Mr Daniel Molgat, Canadian Ambassador to the Communities, signed two cooperation agreements in the field of scientific research, one on the health and environmental effects of radiation and the other on the processing of complex sulphide minerals.

Japan

2.2.19. The 27th round of high-level consultations between the Commission and Japan was held in Tokyo on 10 and 11 July against the background of a worsening Community trade deficit and a harder Community line on trade issues with Japan.⁶ The whole range of bilateral relations was reviewed. The Commission raised the matter of Community firms' participation in the building of Kansai airport and called for an end to discrimination against Com-

¹ OJ L 275, 29.9.1987.

² Bull. EC 10-1985, point 2.3.11.

³ OJ L 351, 12.12.1986; Bull. EC 11-1986, point 2.1.67.

⁴ OJ L 188, 20.7.1985; Bull. EC 7/8-1986, point 2.1.40.

⁵ Bull. EC 7/8-1986, point 2.2.7.

⁶ 26th round: Bull. EC 7/8-1986, point 2.2.12.

munity firms in Japan's recently decided government procurement programme. The slow progress that the Japanese Government was making in opening up its market was also pointed out.

The two sides noted the progress achieved, mainly in the economic sphere, but above all in scientific cooperation. They stated their intention to press ahead with cooperation, not only in science and technology, but also in areas such as investment, energy, development aid, joint industrial projects and major infrastructure projects in Japan.

2.2.20. Prior to this, the third annual round of financial consultations was held in Tokyo on 7 and 8 July between senior officials from the Commission and representatives from the Bank of Japan and the Ministry of Finance.¹ Discussions focused on the liberalization of both Community and Japanese financial and capital markets and the question of market access, monetary and financial relations between the two sides — with special reference to the financing of Community imports into Japan — and various international monetary, banking and financial matters.

The Commission delegation welcomed the first issue of ECU bonds guaranteed by the Japanese Government and the progress made by Japan in liberalizing its financial market but stressed the need for similar progress in the field of banking.

2.2.21. As requested on 16 March,² the Commission sent the Council a communication on 16 July on the state of relations between the Community and Japan.³ This takes stock of the measures taken *vis-à-vis* Japan and notes that despite some positive signs in May and June the Community's trade deficit in the first half of 1987 was none the less 6.3% up on the first half of 1986. In this connection, the Commission's paper shows that Japanese exports to the Community have increased, whereas in other parts of the world, in particular the United States, they have declined.

2.2.22. On 20 July the Council took note of the Commission's paper and in its con-

clusions agreed that before the end of 1987 the Commission would report on progress in the current discussions on specific sectors (motor vehicles, cosmetics and medical equipment), inviting it to prepare for discussions on the opening-up of other sectors of the Japanese market. It was also agreed that the Commission should present the Japanese authorities with a list of objectives, calling on them to set specific dates for the implementation of measures already agreed upon and to state by the end of the year whether or not they are in a position to act on other requests made by the Community. The Council stressed the importance it attached to the speedy implementation of the dispute settlement procedure under GATT concerning wine and other alcoholic beverages.

European Free Trade Association

2.2.23. On 20 July the Council approved the 10th annual report on cooperation with the EFTA countries (July 1986 to June 1987).⁴ The Council welcomed the substantial progress made and stressed the importance it attached to establishing a 'European economic space' as agreed at the Luxembourg Conference in April 1984.⁵ It gave its support to the guidelines for future cooperation agreed on at the Interlaken meeting between the Commission and EFTA ministers⁶ and stressed the common interests of the Community and the EFTA countries.

Austria

2.2.24. On 14 July Dr Peter Jankowitsch, Chairman of the Foreign Affairs Committee of the Austrian Parliament, visited Mr De Clercq, Member of the Commission with special responsibility for external relations and trade policy. Besides subjects of mutual

¹ Second round: Bull. EC 3-1987, point 2.2.10.

² Bull. EC 3-1987, point 2.2.11.

³ COM(87) 344 final.

⁴ Bull. EC 9-1986, point 2.2.17.

⁵ Bull. EC 4-1984, point 1.2.1 *et seq.*

⁶ Bull. EC 5-1987, point 2.2.14.

interest such as bilateral relations, EEC-EFTA cooperation and a general review of international economic questions, discussions centred on aspects of Austrian neutrality and their implications for the development of relations between Austria and the Community.

2.2.25. On 23 July Mr Robert Graf, the Austrian Minister for Foreign Trade, also had a meeting with Mr De Clercq. Among the subjects discussed were relations with Eastern European countries, EEC-EFTA cooperation and bilateral relations between Austria and the Community.

Finland

2.2.26. On 27 July Mr Pertti Salolainen, the Finnish Minister for Foreign Trade and current Chairman of the EFTA Council, met Mr De Clercq.

Three main bilateral issues were discussed, namely completion of the single market, EEC-Comecon relations and Community exports of steel bars to Finland. Mr Salolainen indicated that Finland would like to have annual high-level meetings between the two parties, as is the case for the other members of EFTA.

There was also discussion of the prospects for the next meeting between the Commission and EFTA ministers, which is to be held in Finland next spring. Certain areas where further progress in Community-EFTA cooperation seem possible were identified.

Norway

2.2.27. The opening of a Commission delegation in Norway was discussed by the Council. This move on the part of the Commission in response to a request by the Norwegian authorities, which had already gained the support of Parliament, (→ point 2.4.16),¹ was approved by the Council. The Commission will endeavour to set up the delegation before the end of the year.

Sweden

2.2.28. The annual round of high-level consultations between the Commission and Sweden took place in Stockholm on 2 July.² The Commission delegation was led by Mr De Clercq and the Swedish delegation by Mrs Anita Gradin, the Minister for Foreign Trade.

The discussions covered bilateral questions, where no serious problems exist, and international issues, where there was a broad concurrence of views. Specific bilateral issues mentioned included the work on improving both sides' customs arrangements for processed agricultural produce and the strengthening of cooperation in research and development.

Sweden was also increasingly interested in developments in the Community. The Swedish Government would be submitting a report to the Riksdag on Sweden and the completion of the Community internal market. In connection with this, Mr De Clercq informed Mrs Gradin of the results of the last European Council.

Relations with other countries and regions³

Mediterranean countries

Mediterranean policy of the enlarged Community

2.2.29. On 11 August the Council adopted, on a proposal from the Commission,⁴ a Regulation laying down the arrangements for trade between Spain and Portugal on the one hand and Algeria, Egypt, Jordan, Lebanon, Tunisia and Tur-

¹ OJ C 246, 14.9.1987.

² Previous round: Bull. EC 6-1986, point 2.2.22.

³ For financial and technical cooperation with the Mediterranean and Asian countries, see points 2.2.60 to 2.2.62.

⁴ Bull. EC 6-1987, point 2.2.16.

key on the other.¹ On the same date the Representatives of the Governments of the Member States, meeting within the Council, adopted arrangements applicable to trade in ECSC products between Spain and Portugal and the above countries.²

2.2.30. On 28 July the Commission sent to the Council recommendations for Decisions on the conclusion of Protocols on financial and technical cooperation between the Community and Tunisia, Egypt, Israel, Algeria and Jordan.³ These proposals follow on from the negotiations which the Commission undertook with the countries concerned under the directives given to it by the Council on 25 November 1985⁴ and 30 March this year.⁵

2.2.31. A Protocol to the Association Agreement between the Community and Cyprus consequent on the accession of Spain and Portugal was initialled on 10 July.⁶ It sets out the adjustments and transitional measures to be implemented by Spain and Portugal, after which they will apply the Agreement in full.

Yugoslavia

Cooperation

2.2.32. On 15 July the Commission sent to the Council a recommendation for a Decision on the conclusion of the second Protocol on financial cooperation between the Community and Yugoslavia.⁷ This Protocol was initialled in June.⁸

Trade

2.2.33. Representatives of the Commission and Yugoslavia completed negotiations on the renewal of the trade provisions of the 1980 EEC-Yugoslavia Cooperation Agreement,⁹ and texts were initialled on 10 July. The purpose of the negotiations was both to renew the trade provisions of the Agreement and to expand them to take account of the accession to the Community of Spain and Portugal.

Three protocols were initialled. The first two provide for Spain and Portugal to become contracting parties to the EEC-Yugoslavia Cooperation Agreement and the Agreement between the ECSC Member States and Yugoslavia. Under the provisions of these two protocols, Yugoslav exports will, by 1993 for industrial products and by 1996 for certain agricultural products, benefit from the preferential rates specified in the two agreements and from the elimination of quantitative restrictions.

The third protocol introduces improvements in access to the Community market for Yugoslav industrial and agricultural products. The agricultural products most affected by these improvements are wine and beef. The ceilings which apply to certain industrial products are to be removed while the duty-free ceilings applicable to others are to be raised by an average of about 15%.

Visit by Mr Delors

2.2.34. Mr Delors paid an official visit to Yugoslavia from 23 to 25 July, in return for the visit to the Commission in 1983 by Mrs Milka Planinc, who was then Prime Minister.¹⁰ Mr Delors had meetings with Mr Lazar Mojsov, the Head of State, Mr Branko Mikulić, the President of the Federal Executive Council, Mr Raif Dizdarević, Foreign Minister, Mr Oskar Kovač, Minister with responsibility for relations with the Community, and Mr Budimir Loncar, Deputy Foreign Minister.

Coming after the completion of negotiations on the financial protocol and trade protocols, Mr Delors's visit marked a new

¹ OJ L 250, 1.9.1987.

² OJ L 250, 1.9.1987; Bull. EC 6-1987, point 2.1.40.

³ COM(87) 355 final.

⁴ Bull. EC 11-1985, point 2.3.16.

⁵ Bull. EC 3-1987, point 2.2.14.

⁶ OJ L 133, 21.5.1973; OJ L 174, 30.6.1981.

⁷ OJ C 235, 1.9.1987; COM(87) 347 final.

⁸ Bull. EC 6-1987, point 2.2.18.

⁹ OJ L 130, 27.5.1980; Fourteenth General Report, point 656.

¹⁰ Bull. EC 4-1983, point 2.2.28.

beginning in relations with Yugoslavia. His discussions with the Yugoslav leaders centred on how Yugoslavia stood with regard to the single Community market and Community-EFTA and Community-CMEA relations. The talks also covered the development of economic and technological cooperation between Yugoslavia and the Community. The discussions on EEC-Yugoslavia relations gave the Yugoslav authorities an opportunity to outline to Mr Delors their country's financial situation.

At the end of the talks Mr Delors invited Mr Mikulić to visit Brussels in order to continue the dialogue. The invitation was accepted.

Morocco

2.2.35. In a letter dated 8 July to the Commission and Council Presidents, delivered to them by the Moroccan Foreign Minister, Mr Filali, King Hassan II of Morocco, noting the close links that bind his country to the Community and affirming his conviction that the real interests not only of Morocco but also of Europe call for greater economic and political integration between them, formally applied for Morocco to join the European Communities.

Latin America

Latin American Economic System

2.2.36. Mr Sebastián Alegrett, Secretary-General of the Latin American Economic System (LAES), visited the Commission. He was accompanied by Mrs Imelda Cisneros and Mr Ignacio Basombrio, Director and Deputy Director respectively with responsibility for coordination and consultation. Mr Alegrett met Mr Cheysson, Mr De Clercq, Mr Marin, Mr Matutes and Mr Cardoso e Cunha.

The talks with the Member States of the Commission revealed a common desire to establish closer political relations between the two institutions and, through this channel, between the two regions. Mr Alegrett

informed the Commission of the System's intention to build up its institutional structure substantially and also to follow a more active political cooperation policy.

New ideas and a new approach were being worked out within LAES, which would shortly be holding a meeting in Santiago, under the auspices of the UN Economic Commission for Latin America, with the participation of various bodies (Andean Group, Intal and LAIA), to try to speed up the process of regional economic integration. Foremost among the many subjects discussed during Mr Alegrett's visit were the debt issue and also such questions as the world economic situation, social problems in Latin America, the Community's fisheries policy and multilateral trade issues, particularly in the context of the Uruguay Round.

Andean Group

2.2.37. A delegation from the Andean Group countries (Bolivia, Colombia, Ecuador, Peru and Venezuela), led by Mr Jaime Salazar, Coordinator of the Junta of the Cartagena Agreement, paid a first official visit to the Commission on 6 and 7 July.¹

The delegation was received by Mr Delors and Mr Cheysson and held a working meeting with officials responsible for relations with Latin America.

Discussion centred chiefly on new moves towards Andean Group integration, which was entering a new phase following the conclusion in May of a proposal which will amend significantly the Cartagena Agreement, the basic instrument under which the Andean Group was established in 1969.

The visit also provided an occasion for discussions on preparations for the first meeting of the Community-Andean Group Joint Committee, due to take place in Brussels on 1 and 2 December. The Junta and the Commission are scheduled to meet at the same time to discuss the political aspects of

¹ OJ L 153, 8.6.1984; Bull. EC 12-1983, point 2.2.45.

relations between the Community and the Andean Group.

Lastly, the two sides discussed cooperation issues. Cooperation to date has proved satisfactory, and the entry into force on 1 February¹ of the Cooperation Agreement between the Community and the Andean Group signed in 1983 will open up new opportunities, especially for industrial cooperation.

Development

North-South relations

Cooperation in international forums

United Nations Conference on Trade and Development

2.2.38. Unctad VII, which was concluded on 3 August, may be considered a success.² This is the first time for many years that a major North-South gathering has resulted in a universal consensus on such a broad range of issues.³ The Final Act of the Conference, which corresponds very largely to the Community's objectives, will serve as a significant point of reference in the efforts that will be undertaken to revitalize growth and development.

One of the key features of the Conference is the common assessment of the world economic situation, which notes and defines many of the difficulties, but at the same time assesses the possibilities and sets out broad guidelines for appropriate policy responses. In particular, this part of the Final Act underlines the essential role of developing countries, through their domestic policies, in ensuring their own development.

Equally, it pinpoints the responsibilities of the industrialized countries with regard to improving the world economic environment for accelerated and sustainable development.

The main aspects of the agreements reached on the issue of resources concern:

- (i) the measures to assist the poorest African countries to reduce their debt service burden;
- (ii) the reaffirmation of the targets concerning official development assistance for the least developed countries (0.15%) and developing countries as a whole (0.7%);
- (iii) the recognition of the need to pursue approaches to the debt problem which involve a balance between domestic adjustment and external financing, and the need for a long-term view of growth and development issues in order to tackle the debt problem more effectively.

On trade, the Final Act recognizes the importance of the Uruguay Round in bringing about further multilateralization and growth of trade. It stresses the importance of Unctad's supporting role in the Round, in particular through the provision of technical assistance for developing countries.⁴

The text on commodities recognizes the difficulties currently faced by many commodity-exporting developing countries as a result of low levels of export earnings. This highlights the need for horizontal and vertical diversification of the economies of developing countries. The Community and its Member States will play a major role in supporting this process.

The Community played a leading role in the Conference, maintaining a unified front, notably on such controversial issues as debt and the Common Fund, which gave added weight to its views and contributed largely to the results achieved. The most tangible result was the consensus obtained, which included the State-trading countries, on the responsibility of the developing countries *vis-à-vis* their own future and on the increasing role that market forces must play

¹ Bull. EC 1-1987, point 2.2.19.

² Bull. EC 6-1987, point 2.2.32.

³ This was not the case at Unctad VI, held in Belgrade from 6 June to 3 July 1983; Bull. EC 6-1983, point 2.2.47; Bull. EC 7/8-1983, points 2.2.61 to 2.2.64.

⁴ Bull. EC 9-1986, point 1.4.1 *et seq.*

in their development. The industrialized countries, moreover, confirmed a principle to which the Community has constantly adhered, namely that the rich countries have a special responsibility with regard to the international financial environment.

United Nations Industrial Development Organization

2.2.39. Under the consultation system established by the Second General Conference of Unido, held in Lima in 1975,¹ a preliminary consultation meeting on the fisheries industry took place in Gdansk, Poland, from 1 to 5 June. Organized jointly by Unido and the United Nations Food and Agriculture Organization, it was attended by around 100 participants from 37 countries and included representatives from government, industry and trade organizations in both the industrialized and the developing countries. They discussed the problems faced by the developing countries to improve and modernize their fishing fleets and gear so as to increase productivity and efficiency, and also to improve fish production and increase the value-added.

2.2.40. The third meeting of the Industrial Development Board was held in Vienna from 30 June to 3 July.² It was dominated by Unido's financial crisis. The member countries approved the 1988-89 biennial budget, but could not agree on the adoption of a supplementary budget for 1987, which would have eased the organization's liquidity problems at the end of the year.

Besides budgetary matters, the Board reviewed Unido's day-to-day functioning and discussed the agenda of the General Conference due to take place in Bangkok from 9 to 13 November. Following this discussion, an informal contact group was instructed to prepare for the Conference and present a report on its work to a further Board meeting which will take place in Vienna on 12 October, during which the question of the supplementary budget will also be re-examined.

Generalized tariff preferences

Briefing seminars

2.2.41. At Romania's request, the Commission organized a seminar on the Community's generalized preferences scheme. The seminar, conducted by a team of Community experts in Bucharest on 6 and 7 July, attracted some 140 senior officials representing a large number of Romanian trade organizations from different sectors involved in the manufacture of goods and their export to the Community market.

Commodities and world agreements

Cocoa

2.2.42. The International Cocoa Council, having been convened by its Executive Director, held its ninth special session in London from 13 to 17 July to examine the implementation of the 1986 Agreement³ after the buffer stock manager⁴ had completed as planned the first instalment of purchases totalling 75 000 tonnes.

Given the cocoa market situation, where prices have recovered, the proceedings were concluded without formal decisions being taken, the participants considering it more opportune to defer all decisions for the time being, in principle until the regular meeting of the Council due to be held in September. This being so, the price range which determines interventions by the buffer stock was not revised as provided for in Article 27(7) of the Agreement and buffer stock purchases⁴ will remain suspended.

2.2.43. On 17 July the Commission sent to the Council a proposal for a Regulation⁵ on the implementation of the economic and

¹ Ninth General Report, point 437.

² Bull. EC 10-1986, point 2.2.31.

³ Bull. EC 7/8-1986, point 2.2.32.

⁴ Bull. EC 3-1987, point 2.2.27; Bull. EC 4-1987, point 2.2.29; Bull. EC 6-1987, point 2.2.42.

⁵ COM(87) 343 final.

management rules¹ of the International Cocoa Agreement 1986.

Tin

2.2.44. On 10 July Parliament adopted (→ point 2.4.16) a resolution² on the international crisis which has affected the tin market since October 1985³ and jeopardized the operation and renewal of the 1982 International Agreement.⁴

Campaign against hunger in the world

Food aid

Reform of food aid policy and management

2.2.45. On 8 July the Commission adopted a Regulation⁵ laying down general rules for the mobilization in the Community of products to be supplied as Community food aid.⁶ The Regulation provides as follows: supervision by the Commission of all

food aid mobilization operations up to and including delivery in the recipient country, in contrast to the procedures of the previous regulations, which assigned responsibility for these operations to intervention agencies in the Member States; monitoring of food aid supply operations by qualified agents duly authorized by the Commission to oversee their entire implementation, the aim being to reduce in all important aspects the risk of unsatisfactory operations, frequently the subject of criticism by Parliament and the Court of Auditors; and assumption by the successful tenderer of responsibility up to the place of delivery specified in the agreement with the recipient country.

2.2.46. On 27 July the Commission decided, with the endorsement of the Food Aid Committee, on the following food aid operations under the 1987 budget (Table 7).

¹ Bull. EC 3-1987, point 2.2.27, Bull. EC 4-1987, point 2.2.29.

² OJ C 246, 14.9.1987.

³ Bull. EC 11-1985, point 2.3.27.

⁴ OJ L 342, 3.12.1983; Sixteenth General Report, point 745.

⁵ OJ L 204, 25.7.1987.

⁶ OJ L 370, 30.12.1986; Bull. EC 12-1986, point 2.2.31.

Table 7 — Food aid operations

	Cereals	Non-vitamin-enriched milk powder	Vitamin-enriched milk powder	Butteroil	Sugar	Vegetable oil	Other
Bangladesh	150 000					2 000	
Botswana						1 000	
Burundi		100		30			
Chad	15 000						
China				1 700			
Comoros	2 000		100		100	100	
Djibouti	5 000						
Ghana	10 000	900		300			
Guyana	1 000		300	100			
India		12 000		4 000			
Lesotho	10 000						

tonnes

	Cereals	Non-vitamin-enriched milk powder	Vitamin-enriched milk powder	Butteroil	Sugar	Vegetable oil	Other
Mauritania	12 000	400		400			
Mozambique	55 000						4 000 B
Pakistan			300	200			
Senegal	10 000						
Sierra Leone	6 000		400				
Somalia	13 500		600			400	
Tunisia			3 000				
Yemen	10 000	600		200			
Total	299 500	14 000	4 700	6 930	100	3 500	4 000 B

B: Beans.

Locust control in Africa

2.2.47. In July the Commission decided on two emergency aid allocations — one specifically for the East African countries — of 650 000 ECU each, to assist the African ACP countries infested by grasshoppers and locusts. The funds are intended for the purchase and delivery of pesticides and spraying equipment and for financing local operating expenditure.

This aid, which follows an earlier allocation to individual countries affected,¹ seeks to provide an immediate response where new needs become apparent, in the interests of safeguarding harvests in the forthcoming crop year.

Emergency aid

Chile

2.2.48. Following the disastrous flooding in central Chile, the Commission approved on 17 July an emergency aid allocation of 250 000 ECU for Chile. The aid supplies, to be distributed by the NGO Caritas (Chile), will consist of basic emergency items (food-stuffs, blankets, medicines, etc.).

Bangladesh

2.2.49. Following the disastrous floods in Bangladesh (partial or total destruction of

around 800 000 dwellings and several million people affected), the Commission approved on 25 July an emergency aid allocation of 500 000 ECU for the stricken population. The aid supplies, to be distributed by the German Red Cross, will consist of basic emergency items (corrugated sheeting, cooking utensils, clothing, seeds, etc.).

Self-sufficiency aid for refugee groups

2.2.50. In July the Commission approved the financing of three programmes to repatriate and resettle Guatemalan and Nicaraguan refugees and displaced persons and a self-sufficiency programme for refugees in Honduras, to be implemented by the Office of the UN High Commissioner for Refugees and several NGOs:

Guatemala: 800 000 ECU for a programme to assist 2 000 Guatemalan refugees in Mexico; the Community aid will pay for the reconstruction of infrastructure (reception centre, health care units, primary schools and construction equipment), agricultural equipment and tools, seeds, means of transport and the salaries of technical assistants; *Nicaragua*: 1 310 000 ECU for a programme to resettle 8 000 Miskito refugees in their

¹ Bull. EC 2-1987, point 2.2.29.

villages on the Atlantic coast of Nicaragua; under an agricultural development programme, they will receive materials to rebuild their houses, plus fishing gear and vehicles; in addition, 390 000 ECU for a reconstruction and social development programme involving 37 Miskito villages on the Coco River, with the aim of enabling 5 500 Miskito to resettle and resume their lives as farmers and fishermen;

Honduras: 1 050 000 ECU for the reafforestation of 3 000 hectares in the Mosquitia area, with the aim of providing jobs and an income for the many refugees still living in the area.

AIDS control

2.2.51. In July the Commission approved the financing of a programme for the control of AIDS in the ACP countries.¹ The programme, which will have a budget of 35 million ECU and last for three years, will help to strengthen the public health systems of the recipient countries, provide technical, financial and scientific assistance to those countries which are implementing national AIDS control programmes and promote coordination, at Community level, of bilateral aid operations. On the basis of this programme, the Community hopes to make an identifiable contribution to international AIDS control efforts directed and coordinated by the WHO special programme on AIDS.

Programme of positive measures concerning South Africa

Financing decisions

2.2.52. The Commission approved, in July, a new financial contribution of some 3.9 million ECU for 16 aid projects to assist apartheid victims. This decision is in addition to those taken since July last year, which have involved a total of 10.1 million ECU for 60 projects.²

These financing decisions were taken following the ministerial meeting on political cooperation held in Luxembourg on 10 September 1985.³

Stabex

Transfers

2.2.53. In July the Commission decided to make the following 40 transfers for the 1986 application year:

¹ Bull. EC 5-1987, point 2.2.26.

² Bull. EC 7/8-1986, point 2.2.43; Bull. EC 11-1986, point 2.2.40; Bull. EC 1-1987, point 2.2.32; Bull. EC 4-1987, point 2.2.36, Bull. EC 6-1987, point 2.2.49.

³ Bull. EC 9-1985, point 2.5.1.

ECU			
	Product	Amount	Of which advance already disbursed
Benin	Palm-kernel oil	3 589 471	
Burkina Faso	Shea-nut kernels	2 690 995	
	Cotton	1 782 613	
	Sesame seeds	364 879	
Central African Republic	Cotton	1 648 910	1 200 000
Chad	Cotton	12 776 377	6 000 000
Comoros	Cloves	2 997 156	
Equatorial Guinea	Cocoa beans	1 079 795	
Ethiopia	Beans	6 344 738	

ECU			
	Product	Amount	Of which advance already disbursed
Gambia	Groundnuts	3 330 720	
	Groundnut oil	1 328 737	
Grenada	Cocoa beans	371 379	
Guinea-Bissau	Groundnuts	2 069 162	
	Shrimps	388 231	
Kiribati	Copra	1 639 090	
Malawi	Tea	2 370 156	
Mali	Cotton	14 180 528	5 000 000
Mauritius	Tea	2 950 299	
Mozambique	Cashew nuts and kernels	1 065 009	
	Copra	299 093	
	Cotton	6 216 147	
	Tea	3 627 855	
Papua New Guinea	Copra	7 569 597	
	Coconut oil	17 067 636	
	Oil-palm products	21 764 451	
Rwanda	Tea	3 398 714	
Senegal	Groundnut products	54 567 358	30 000 000
Solomon Islands	Copra	12 328 129	5 000 000
	Oil-palm products	6 657 167	3 000 000
Sudan	Groundnuts	3 272 524	
	Groundnut oil	8 114 818	
	Sesame seeds	590 168	
	Oilcake	5 519 522	
Togo	Shea-nut kernels	651 838	
Tonga	Coconut oil	1 254 017	
Tuvalu	Copra	102 407	
Vanuatu	Copra	11 438 165	
Western Samoa	Wood in the rough	122 513	
	Copra	259 211	
	Coconut oil	4 299 597	2 500 000
	Total	232 068 388	52 700 000

On 16 July Mr Natali signed the 40 Stabex transfer agreements with representatives of the recipient countries.

LLDCs not signatory to the Lomé Convention

2.2.54. At the end of July the Commission decided, as part of its aid to least developed

countries not signatory to the Lomé Convention,¹ notably under the Community system of compensation for loss of export earnings,² to make the following three transfers in respect of application year 1986 (see table below).

¹ Bull. EC 7/8-1985, point 2.3.51; Bull. EC 10-1985, point 2.3.43.

² OJ L 43, 13.2.1987; Bull. EC 2-1987, point 2.2.32.

		<i>ECU</i>
	Product	Amount
Bangladesh	Jute	4 389 100
	Tea	1 228 004
Nepal	Skins and hides	232 759
Yemen Arab Republic	Coffee	379 013
Total		6 228 876

Mr Claude Cheysson, Member of the Commission with special responsibility for North-South relations, signed the three transfer agreements on 30 July with representatives of the countries concerned.

Mining cooperation

ACP States

Sysmin

2.2.55. In July the Commission declared Mauritania eligible for resources under the special financing facility provided for in Article 176 of the third Lomé Convention (Sysmin). Mauritania's application concerns iron ore, which represents over 10% of its export earnings. Virtually all such exports (97% in 1986) were for the manufacture of steel in the Community Member States, for which Mauritania represents a close source of quality supply. Mauritania continues, moreover, to be one of the Community's principal suppliers of iron ore (the fourth main supplier in 1985, providing 9.5% of the Community's imports of non-agglomerated ore).

Industrial cooperation

ACP States

2.2.56. The third preparatory meeting for the Central Africa Industrial Forum, to be

held in Libreville from 24 to 27 November, took place in Cologne at the end of June with the participation of the Commission, the Central African Customs and Economic Union, the Centre for Industrial Development, the Gabonese Centre for Foreign Trade and the consultants concerned.

Investment

2.2.57. Work began in August on the two studies referred to in the 'Investment' chapter of the third Lomé Convention (Articles 241 and 244) on measures to facilitate an increased and more stable flow of private capital and on the possible establishment of a joint ACP-EEC investment insurance and guarantee system. The terms of reference for the studies and the methods to be followed were agreed by the ACP-EEC Investment Working Party. Each study will be carried out jointly by two experts, one from the Community and one an ACP national, chosen respectively by the Community and the Group of ACP States.

Financial and technical cooperation

ACP States

2.2.58. In July the Commission decided to allocate resources from the fourth, fifth and sixth EDFs totalling 620 488 000 ECU to finance operations under the projects, programmes and emergency aid which it administers (see Table 8).

Table 8 — *Financing of operations under the fourth, fifth and sixth EDFs*

<i>million ECU</i>			
I. Country	Programme	Amount	
		Grants	Loans
Central African Republic	Livestock production	10.000	
	Rural production	25.000	
Guinea	Rural development	70.000	
Kenya	Northern Corridor	27.000	10.000
	Agricultural research and livestock production	20.000	
Uganda	Sectoral import programme	15.000	
Malawi	Supply of inputs	28.200	
Mozambique	Sectoral import programme	40.000	
Senegal	Development (Podor area)	87.000	10.000
Chad	Rural production	15.000	
Zaire	Development (Kivu)	36.000	4.000
Zambia	Import of inputs	7.200	32.800
	<i>Total I</i>	<i>380.400</i>	<i>56.800</i>
II. Sector/country	Project	Grants	Loans
<i>Economic infrastructure</i>			
Mozambique	Port of Beira	48.000	
Zimbabwe	Port of Beira		
Malawi	Port of Beira		
Tanzania	Port of Zanzibar	12.500	
Tanzania/Rwanda	Roads	10.000	
Kenya	Roads	0.850	11.150
Niger	Roads and bridges	3.680	
Ghana	Roads and bridges	5.000	
<i>Development of production</i>			
Gabon	Rural development	6.300	
Lesotho	Rural production	4.750	
Comoros	Fisheries	1.092	
Burkina Faso and Niger	Rural production	5.900	
Sudan	Rural production	11.450	
Botswana	Rural production	3.000	
<i>Social development</i>			
Ethiopia	Training	7.100	
Madagascar	Village water-engineering	5.100	

Development

		million ECU	
II. Sector/country	Project	Amount	
		Grants	Loans
Solomon Islands	Training in the rural sector	4.000	
Mali	Health infrastructure	1.300	
Montserrat	Water supply	0.966	
All ACP countries	AIDS control programme	35.000	
<i>Emergency aid</i>			
Mozambique	Contribution to assistance programme via humanitarian organizations	2.500	
East African countries	Locust and grasshopper control	0.650	
	<i>Total II</i>	172.138	11.150
	Grand total	552.538	67.950

The marked acceleration in the implementation of Lome III is due partly to the use of the new instruments — focal sector programmes — for in order to respond positively to the ACP States' needs and aspirations, the Commission is turning increasingly towards financing programmes rather than isolated projects. Such programmes comprise sets of inter-related components concerned with a specific theme or sector (rural development in Senegal, Guinea and Zaire, roads in Kenya, livestock production in the Central African Republic, etc.), or they may be sectoral import programmes involving the financing of inputs to the productive

system (Zambia, Uganda and Mozambique).

By virtue of the large sums involved (Senegal: 97 million ECU, Zaire: 40 million ECU, Guinea: 70 million ECU, Zambia: 40 million ECU, Mozambique: 40 million ECU, etc.), these programmes represent, within the dialogue, a key contribution to the policy reforms being undertaken by the countries concerned.

2.2.59. In August the Commission decided to allocate resources from the sixth EDF totalling 1 610 000 ECU to finance operations under the emergency aid which it administers (Table 9).

Table 9 — *Financing of operations under the sixth EDF*

		million ECU	
	Programme	Amount	
		Grants	Loans
Uganda	Financing of medical personnel and equipment following armed conflict in the Soroti area	0.200	
Chad	Measures required in health, village water-engineering and agriculture following the combat situation in the North	0.650	
Somalia	For drought victims in the central areas	0.110	
Zambia	For drought victims in several provinces	0.650	
	Total	1.610	

Southern and eastern Mediterranean countries

2.2.60. The Commission took the following decisions on the allocation of funds under the second financial protocols with Algeria and Egypt:

Algeria: 2.5 million ECU for a programme of scientific cooperation with the Ministry of Higher Education; 12.1 million ECU for a scientific cooperation programme with the Office of the High Commissioner for Research; 2.2 million ECU for a programme covering export training and assistance for exporters;

Egypt: a 45 million ECU (2 million ECU in grants and 43 million ECU in special loans) line of credit for the Principal Bank for Development and Agricultural Credit.

The implementation of these projects means that all funds under the second protocol with Algeria are now committed and almost 90% of those in respect of Egypt.

Assistance for the Palestinian population in the Occupied Territories

2.2.61. On 15 July the Community approved a grant of 3 million ECU to the Occupied Territories of the Gaza Strip and the West Bank,¹ with a view to financing small-scale agricultural and industrial enterprises, assisting the Hebron Engineering College's agricultural machinery department, modernizing the vocational training centre run by the United Nations Relief and Works Agency for Palestine Refugees and, in general, improving the economic and social living conditions of the Palestinian population.

Latin American and Asian developing countries

Financing decisions

2.2.62. The Commission decided on 27 July, with the endorsement of the Commit-

tee on Aid to Non-associated Developing Countries, to finance the following operations from the appropriation in Article 930 of the Community budget:

China: pilot project to develop fruit processing in Hunan Province (total cost 2.2 million ECU, Community contribution 1.55 million ECU; autonomous project);

Laos: rural microprojects programme in Luang-Prabang Province (total cost 6.7 million ECU, Community contribution 6 million ECU); autonomous project);

Sri Lanka: integrated rural development of the right bank of the Mahaweli River (total cost 144 million ECU, Community contribution 25 million ECU; parallel cofinancing with the World Bank and Canada).

Cooperation via non-governmental organizations

2.2.63. In the period from 1 January to 31 August, the Commission committed 39.6 million ECU for the cofinancing in developing countries of 283 projects presented by 131 NGOs.

The Commission also contributed 4 162 598 ECU to 62 publicity campaigns in the Community.

Visits

2.2.64. Mr Natali paid an official visit to Somalia from 4 to 9 July. He met President Siad Barre and several members of the government and was able to inspect a number of projects financed by the European Development Fund.

¹ Bull. EC 10-1986, point 2.2.49a.

International organizations and conferences

General Agreement on Tariffs and Trade

Committee on Government Procurement

2.2.65. On 29 July the Commission presented to the Council a proposal for a Decision on the conclusion of the Protocol amending the GATT Agreement on government procurement.¹

The first renegotiation of the Agreement began in November 1986² and resulted in a Protocol dated 2 February³ which was accepted subject to confirmation by the Community. This Protocol amending the Agreement has to be ratified by the Council, and then signed on behalf of the Community.

Committee on Trade in Civil Aircraft

2.2.66. A round of consultations between the Commission and United States delegations was held in Geneva on 22 July. The outcome was a large measure of convergence of views on possible solutions under Article 4 of the Agreement on trade in civil aircraft, and in particular on the usefulness of an illustrative, non-exhaustive list of prohibited government inducements attached to the sale or purchase of civil aircraft. The two parties' understanding of each other's position regarding the interpretation of Article 6 of the Agreement also improved.

The Committee on Trade in Civil Aircraft met in August⁴ and, as a result of the progress made at the July bilateral meeting, made some headway in its search for a mutually satisfactory solution.

Conference on Security and Cooperation in Europe

2.2.67. There was a major development in the CSCE follow-up meeting at the begin-

ning of July. The Sixteen tabled a proposal on confidence-building measures which enabled negotiations to be launched on most of the subjects covered by the Helsinki Final Act.

With particular reference to Basket II (economic cooperation), the delegates from the 35 participating States were able to assess the scope for progress in various spheres such as the environment, trade and industrial cooperation, and science and technology. While the Community stressed environmental matters, the seven Comecon countries placed the emphasis on specific interests in the spheres of industrial cooperation and science and technology.

As expected, the meeting did not succeed in concluding its business by 31 July and it is due to reconvene on 22 September, to continue the negotiations throughout the autumn.

*

2.2.68. The third session of the Industrial Development Board, the governing body of Unido, was held in Vienna from 30 June to 3 July (→ point 2.2.39).

2.2.69. The seventh session of the UN Conference on Trade and Development ended on 3 August (→ point 2.2.38).

Diplomatic relations

2.2.70. The following ambassadors presented their letters of credence to the President of the Council and the President of the Commission. Their appointments took effect on the dates shown.

¹ COM(87) 341 final.

² Bull. EC 11-1986, point 2.2.54.

³ Bull. EC 2-1987, point 2.2.41.

⁴ Previous meeting: Bull. EC 3-1987, point 2.2.46.

21 July

HE Mr Georges Payet, Head of Mission of the Republic of Seychelles to the European Communities;

27 July

HE Mr Mushobekwa Kalimba wa Katana, Representative of the Republic of Zaire to the EEC.

3. Financing Community activities

Reform of the Community budget

2.3.1. On 4 August, in accordance with the general guidelines issued by the Brussels European Council of 29 and 30 June¹ and the provisions agreed between the Commission and the Council on 20 July, the Commission sent the Council a proposal for a Decision on the system of the Communities' own resources, a communication on budgetary discipline and a second amendment of the proposal for a Regulation amending the Financial Regulation of 21 December 1977 applicable to the general budget of the Communities (→ points 1.1.3 to 1.1.10).

Budgets

General budget

Draft supplementary and amending budget No 1/87

2.3.2. Further to the conclusions of the European Council of 29 and 30 June,² the Council established draft supplementary and amending budget No 1/87 on the basis

of a compromise proposal from the Presidency. The Council departed appreciably from the preliminary draft presented by the Commission,³ revising the statement of revenue, in view of the savings to be made, and reducing, in the light of the prospects for execution of the budget, certain compulsory appropriations not calling into question the implementation of Community policies and safeguarding the non-compulsory expenditure currently entered in the budget. In particular, the Council decided to reduce by 400 million ECU from August the reimbursement to the Member States of the costs they incur in collecting traditional own resources; this reimbursement is deferred until 1988. The Council also replaced by a token entry and deferred until 1988 the annual instalment of the reimbursement of the advances made by the Member States in 1984. It also called for tougher Community measures to combat budgetary fraud and irregularities; for this purpose, it introduced a new budget heading with a token entry.

On 8 July Parliament expressed its views on the draft supplementary and amending budget. The proposal by the Committee on

¹ Bull. EC 6-1987, point 1.1.5.

² Bull. EC 6-1987, point 1.1.7.

³ Bull. EC 5-1987, points 1.1.2 to 1.1.4 and 2.3.1.

Budgets that it be rejected outright did not obtain the special majority required. Instead, Parliament passed a resolution in which it 'refuses to associate itself with the procedure for the draft supplementary and amending budget No 1 for the 1987 financial year and does not accept that it can have any binding consequences for the 1988 budget.'¹

On 17 July the President of Parliament declared supplementary and amending budget No 1/87 finally adopted.²

Preliminary draft budget for 1988

2.3.3. Before beginning its examination of the preliminary draft budget for 1988,³ the Council met a delegation from Parliament headed by its President, Lord Plumb. During this consultation, the main problems and priorities concerning the establishment of the 1988 draft budget were reviewed. Lord Plumb pointed out that the 1988 budget must cover all expenditure and that decisions on the future financing of the Community must be taken at December's European Council in Copenhagen.

Because of the link between the 1988 budget and the problems of the new system for financing the Community and the need for unanimity for any interim solution involving supplementary revenue, the Council was unable to adopt a draft budget for 1988 and adjourned its deliberations until September.

Own resources

2.3.4. On 24 August the Commission sent the Council a proposal for a Regulation⁴ introducing a temporary exception from the Regulation of 19 December 1977⁵ implementing the Decision of 21 April 1970 on the replacement of financial contributions from Member States by the Communities' own resources. The Decision had already been amended on 7 May 1985⁶ to take account of the conclusions adopted

by the Fontainebleau European Council in June 1984.⁷

Discharge in respect of the implementation of the budget

1985 financial year

2.3.5. In July the Commission sent Parliament a communication⁸ on the action which it had taken on Parliament's resolution of 7 April deferring the discharge on the 1985 budget.⁹ The communication was also sent to the Council and the Court of Auditors for information.

ECSC operating budget

2.3.6. On 21 July, after taking note of Parliament's opinion¹ and the discussions of the ECSC Consultative Committee, the Commission adopted the amending ECSC operating budget for 1987.¹⁰

2.3.7. The Commission sent to Parliament, for its opinion, and to the ECSC Consultative Committee, for information, an *aide-mémoire*¹¹ on the fixing of the ECSC levy rate and on the drawing-up of the ECSC operating budget for 1988.

¹ OJ C 246, 14.9.1987.

² OJ L 211, 3.8.1987.

³ Bull. EC 5-1987, points 1.1.5 to 1.1.11 and 2.3.2.

⁴ OJ C 241, 8.9.1987; COM(87) 395 final.

⁵ OJ L 336, 27.12.1977.

⁶ OJ L 128, 14.5.1985; Bull. EC 5-1985, point 2.3.5.

⁷ Bull. EC 6-1984, points 1.1.1 to 1.1.3.

⁸ COM(87) 372 final.

⁹ OJ C 125, 11.5.1987; Bull. EC 4-1987, point 2.4.17.

¹⁰ OJ C 207, 4.8.1987.

¹¹ COM(87) 404 final.

Financial operations

ECSC

Loans raised

2.3.8. In July and August the Commission made several private placings in marks, French francs, Luxembourg francs and yen for the equivalent of 148.38 million ECU.

It also made a CAD 83 million 10-year public issue at 10% with an issue price of 100.25%.

Loans paid out

2.3.9. Acting under Articles 54 and 56 of the ECSC Treaty, the Commission paid out loans in July and August for a total of 224.53 million ECU, broken down as follows:

Industrial loans

2.3.10. Industrial loans (Article 54 ECSC) totalling 115.23 million ECU were made to Germany, Italy, the United Kingdom, Denmark and outside the Community for the coal and steel industries.

Conversion loans

2.3.11. Conversion loans (Article 56 ECSC) totalling 102.60 million ECU were made to Belgium, Germany and Italy.

Workers' housing

2.3.12. House-building loans for ECSC workers in France, Italy and the United Kingdom amounted to 6.7 million ECU.

Euratom

Loans raised

2.3.13. In August the Commission made a private placing in yen for the equivalent of 26.1 million ECU.

EEC-NCI

Loans raised

2.3.14. In July the Commission made a number of private placings in marks and Swiss francs for the equivalent of 125.92 million ECU.

4. Political and institutional matters

Political cooperation

2.4.1. Ministers met in Copenhagen on 13 July for a regular political cooperation meeting at which they adopted statements on the Arab-Israeli conflict, the Iran-Iraq war and the situation in the Gulf, Lebanon, East-West relations, and Afghanistan.

Statement on the Arab-Israeli conflict

'The Twelve noted the positive welcome given to their declaration of 23 February in favour of an international peace conference on the Middle East. As a suitable framework for the necessary negotiations between the parties directly concerned, such a conference seemed to them at present the only formula which would allow the peace process in the region to move forward. They expressed the hope that conditions allowing an international peace conference to be held can be established rapidly upon the basis of an agreement between the parties to it.

For their part, the Twelve have followed developments in the area closely and have decided to pursue, both via the Presidency and bilaterally, their contacts at all levels with all the interested parties in order to contribute to the search for a just, global and lasting settlement of the Arab-Israeli conflict, including the Palestinian problem, in accordance with the 1980 Venice declaration.

The Twelve recalled their commitment to the respect of human rights in the occupied territories. They agreed that the deterioration of the economic and social situation in these territories, as well as in the region as a whole, threatens to complicate the search for peace. For this reason, the Twelve will continue to contribute to economic and social development, although this cannot be a substitute for a political solution.'

Statement on the Iran-Iraq war and the situation in the Gulf

'The Twelve remain deeply concerned by the conflict between Iraq and Iran. They note the Venice Summit declaration on the war and freedom of navigation in the Gulf.

They recall their previous declarations on the conflict in which they expressed their support for the efforts of the UN Secretary General and their frequent appeals to the parties to respect Security Council Resolutions 582 and 588. They once more

wish to emphasize the necessity to end this cruel war and they welcome new international efforts, in particular in the Security Council, to ensure that both parties will respect a cease-fire and put an end to the war on the basis of a comprehensive, just and honourable settlement.

The Twelve re-emphasize their previous positions, notably concerning respect for the laws governing armed conflict, in particular attacks on towns and the use of chemical weapons, on the risk of the conflict spreading to neighbouring States, on the threat to the freedom of navigation in the Gulf, and on the threat to regional and international peace and security.'

Statement on Lebanon

'The Twelve expressed their profound concern about the continuation of violence in Lebanon, recently highlighted once again by the assassination of the Lebanese Prime Minister, by further hostage-taking and by the escalation of killings in south Lebanon.

They expressed once again the hope that all interested parties would show moderation in order to allow the political dialogue to recommence with a view to national reconciliation based on respect for the sovereignty, unity, independence and territorial integrity of Lebanon.

The Twelve reaffirmed their support for Unifil and urged that it be allowed to fulfil its mandate, in the best possible security conditions for its members.

Finally, the Twelve expressed their condemnation of the continuing detention of hostages and victims of kidnapping in Lebanon.'

Statement on East-West relations

'1. Ministers reviewed the state of East-West relations. They noted with satisfaction that the dialogue between the United States and the Soviet Union on arms control has been intensified and that there are more favourable perspectives as regards an agreement on Soviet and US INF. They reaffirm their commitment to the total elimination of chemical weapons. They favour a stable and verifiable conventional balance at a lower level of forces in the whole of Europe. They will contribute, as far as they can, to the attainment of these goals.

2. The Twelve strongly wish the CSCE follow-up meeting in Vienna to achieve concrete results. They insist on the need for significant and lasting progress to be achieved in all fields and in particu-

lar as regards respect for human rights and fundamental freedoms. In this context they recall the importance which they attach to their proposal on the Human Dimension. Such progress is indispensable if relations between East and West are to develop in a climate of confidence.

3. The Twelve are open to the new possibilities presented by recent developments in Soviet policy. They underline the need for the new words used by the Soviet Union to be transformed into concrete deeds.'

Statement on Afghanistan

'The Twelve have examined the situation in Afghanistan. They noted that the latest round of proximity talks in Geneva between Afghanistan and Pakistan had produced no result.

They reaffirmed their belief that the rapid withdrawal of Soviet troops according to an irrevocable time-table remains the essential precondition if this long conflict is to be brought to an end. For the Twelve, Afghanistan represents a concrete test of Soviet goodwill.

A political solution must guarantee the Afghan people's right to self-determination, allow the return of the refugees and re-establish Afghanistan's status as a genuinely independent and non-aligned country.

The Twelve reaffirm their support for the efforts of the UN Secretary General and his special representative. They continue to support the moderate and reasonable position of Pakistan.'

2.4.2. On 2 July the Twelve adopted a statement on South Korea:

'The 12 Member States of the European Community are closely following the political situation in South Korea. They find the latest developments of which they are aware encouraging and welcome them. The Twelve express their wish to see this friendly country move rapidly towards the realization of the goals of democracy and respect for human rights, with the responsible contribution of all political forces.'

2.4.3. On 13 August the Twelve adopted a statement on the peace plan approved in Guatemala City on 6 and 7 August:

'The Twelve have taken note with great satisfaction that the five Central American Presidents at their recent meeting in Guatemala have reached agreement on a plan for peace and democracy in Central America, in accordance with the aims of the Contadora process.

They believe that the outcome of the summit meeting constitutes a very important step towards the establishment of a climate of mutual trust necessary for a peaceful development of that region with respect for political freedom and social justice.

The Twelve fully support these efforts in conformity with the long-standing objectives of the political dialogue in which they participated in San José, Luxembourg and Guatemala City.

The Twelve urge the five Central American countries as well as all countries with links and interests in the region to cooperate constructively in translating the agreement reached into lasting peace and true democracy in Central America.'

2.4.4. On 28 August the Presidency made public the following statement by the Twelve on the situation in the Philippines:

'The 12 Member States of the European Community are deeply concerned about the attempt to overthrow the President of the Republic of the Philippines by violent means.

They strongly condemn this illegal action to eliminate democracy and renew their full support for President Corazon Aquino, for constitutional democracy in the Philippines and for its duly elected representatives.

The ambassadors of the European Community countries in Manila have been asked to convey this message to President Aquino.'

2.4.5. At its July part-session Parliament passed resolutions on political cooperation and the defence of human rights (→ point 2.4.17).¹

European policy and relations between the institutions

European policy

Implementing the Single European Act

2.4.6. In accordance with the guidelines set out by the European Council in Brussels on 29 and 30 June,² and with the arrangements agreed between the Commission and

¹ OJ C 246, 14.9.1987.

² Bull. EC 6-1987, point 1.1.5.

the Council on 20 July, the Commission, on 4 August, sent the Council a communication on reform of the structural Funds, a proposal for a decision on the system of the Communities' own resources and a communication on budgetary discipline, a second amendment to the proposal for a Regulation amending the Financial Regulation of 21 December 1977 and a review of action taken to control the agricultural markets and outlook for the common agricultural policy.

2.4.7. On 8 July Parliament passed a resolution¹ on the European Council meeting in Brussels on 29 and 30 June² in which it deplored the fact that the Heads of State or Government had confined themselves to short-term and unsatisfactory solutions to the most immediate problems and to general financial principles without giving any formal undertaking to take the relevant decisions. The House also pointed out that the meeting of the European Council in Copenhagen would be the very last opportunity for decisions to be made according to the time-table laid down by the Single European Act.

2.4.8. On 14 January the Commission sent the Council a list of the changes it had decided to make to proposals pending before the Council, under Article 149(3) of the EEC Treaty (as amended by the Single European Act), to take account of the forthcoming entry into force of the Single Act.³ This list reflected the position at 30 November 1986. On 12 August the Commission sent the Council a further list showing the changes it had decided to make to the legal bases of proposals it had put to the Council between 1 December 1986 and 30 June 1987.⁴ This second list also indicates the proposals for which the entry into force of the Single Act does not involve a change of legal basis but does entail a change of procedure.

Application for accession by Morocco

2.4.9. In a letter addressed to the Presidents of the Commission and of the Council

on 8 July and handed to them by the Moroccan Foreign Minister, Mr Filali, King Hassan II of Morocco made formal application for the accession of Morocco to the Communities (→ point 2.2.35).

Relations between the institutions

Exercise of implementing powers conferred on the Commission by Council acts

2.4.10. On 13 July the Council adopted a Decision laying down the procedures for the exercise of implementing powers conferred on the Commission,⁵ on which it had reached agreement in June.⁶

2.4.11. On 8 July Parliament passed a resolution¹ in which it regretted that the Commission had not consulted it on this Decision and reserved its position on its right to be reconsulted by the Council whenever a Council Decision involved one or more major points not covered by the Commission proposal presented for its opinion.

Voting in the Council

2.4.12. As had been agreed in December 1986,⁷ the Council on 20 July adopted amendments to its Rules of Procedure⁸ relating to voting arrangements.

It is stipulated in Article 5 that as well as calling a vote on his own initiative, the President of the Council must call a vote at the request of a member of the Council or the Commission if a majority of members of the Council are in favour.

¹ OJ C 246, 14.9.1987.

² Bull. EC 6-1986, point 1.1.1 *et seq.*

³ Bull. EC 1-1987, point 2.4.4.

⁴ COM(87) 393 final.

⁵ OJ L 197, 18.7.1987.

⁶ Bull. EC 6-1987, points 2.4.11 to 2.4.14.

⁷ Bull. EC 12-1986, point 2.4.11.

⁸ OJ L 268, 25.10.1979.

Article 2 further states that the provisional agenda for each meeting sent to the other members of the Council and the Commission at least 14 days before the meeting must also indicate the items on which the Presidency, the delegations or the Commission can request a vote.

Institutions and organs of the Communities

Parliament ¹

Strasbourg: 6 to 10 July

2.4.13. Parliament's July part-session was very busy and of particular political significance since it saw an in-depth appraisal of the results of the Brussels European Council,² the first reading of several proposals drawn up under the Single European Act³ with application of its procedures and an assessment of the Council Decision on the implementing powers of the Commission (committee procedures) (→ point 2.4.10). Parliament also debated the Commission proposals concerning public supply contracts (→ point 2.4.14).

Mr Uffe Ellemann-Jensen, the incoming President of the Council, made the customary presentation of the programme for Denmark's six-month term in the Council chair (→ point 3.4.1).

The other main feature was an address by Queen Margrethe II of Denmark, who, during a formal sitting, spoke at length on diversity as an asset in a Community open to the outside world.

Unrestricted public procurement — cornerstone of the internal market

2.4.14. As Mr Bouke Beumer (*PPE/NL*) explained in his report, public supply contracts, which represent a substantial proportion of GDP, are still very much national affairs: only 25% of contracts awarded by

the public sector go to companies in other countries—while the private sector, in contrast, is distinctly more 'open'. This must change if the Community is actually to attain its objective of a single market by 1992.⁴ But the Commission's proposal,⁵ which seeks to improve on the Directive of December 1976⁶ and rescind that of July 1980,⁷ did not go anything like far enough to satisfy Parliament's Committee on Economic and Monetary Affairs and Industrial Policy. In the first place, like the 1976 Directive, which covered only 7% of public investment expenditure, it did not extend to energy, telecommunications, transport, water or defence. Secondly, it did not stop national authorities artificially splintering contracts so as to get below the application threshold of 200 000 ECU and apply a 'direct-agreement' procedure. Finally, there was no possibility of penalties since the policing arrangements were left to the Member States, with the result that the authorities responsible for enforcing the rules were more often than not the contracting authorities themselves. So, in his report, Mr Beumer amended the Commission's proposal, insisting that by no later than 1 July 1990 public contracts be open to sectors currently excluded.

During the debate, Mr Jorge Pegado Liz (*RDE/P*), on behalf of the Committee on Legal Affairs and Citizens' Rights, and Mr Basil de Ferranti (*ED/UK*) and Mr Alman

¹ The complete texts of the resolutions adopted by Parliament appear in OJ C 246, 14.9.1987 and the reports of the proceedings are contained in OJ Annex 2-354. The political groups and countries of origin of Members speaking in the debates are shown in brackets after their names. The key to the abbreviations can be found in Bull. EC 2-1987, point 2.4.7 (footnote).

² Bull. EC 6-1987, point 1.1.1 *et seq.*

³ Supplement 2/86 — Bull. EC.

⁴ Bull. EC 6-1985, point 1.3.1 *et seq.*; COM(85) 310 — White Paper published in the 'Documents' series (Official Publications Office, Luxembourg).

⁵ OJ C 173, 11.7.1986; Bull. EC 6-1986, point 1.2.1 *et seq.*; Bull. EC 12-1986, point 2.1.36, OJ C 161, 19.6.1987; Bull. EC 6-1987, point 2.1.18.

⁶ OJ L 13, 15.1.1977; OJ C 11, 15.1.1977, Tenth General Report, point 132.

⁷ OJ L 215, 18.8.1980, Fourteenth General Report, point 137.

Metten (S/NL) endorsed this view, Mr Metten pointing out that while only 2.5% of the contracts awarded by the public sector went to foreign companies, this figure was 50% in the private sector. At the other extreme, Mr Alexander Falconer (S/UK) said he completely disagreed with his colleagues and contended that Member States were entitled to keep their contracts for their own companies. He found support from Mr Alexandros Alavanos (COM/GR), for whom public contracts must not turn into a battlefield for oligopolies and monopolies. Mr Jean Besse (S/F) took a middle-of-the-road approach: while acknowledging that liberalizing contracts was—along with taxation—the key issue of the internal market, he believed that there were risks involved. Public procurement had a decisive impact on regional development and employment in the regions. Mr Besse therefore felt that the liberalization process must be very gradual since it was inextricably tied up with the industrial policy guidelines and research policy. So care must be taken to ensure that the subsidiaries of big multinationals did not grab the bulk of public contracts—at the expense of regional development.

For the Commission, Lord Cockfield, Vice-President with special responsibility for the internal market, said that on this issue Parliament and the Commission were basically in agreement and told the House that the Commission intended to make proposals this year for those sectors not covered by the 1976 Directive¹ and still not included in the Commission proposal.² Any apparent differences related to purely technical matters. Before turning to the amendments themselves, Lord Cockfield said that the Commission's aim was to force contracting authorities to behave according to the standards of best commercial practice; rather than reserve contracts for fellow nationals, every effort must be made to obtain the best goods at the best price, give the taxpayer value for money, support a dynamic exporting industry and generate secure, productive jobs.

At the end of the debate Parliament adopted the Beumer report, with some slight amend-

ments, by 154 votes to 67 with 5 abstentions. In addition to demanding that the sectors at present excluded, including defence (except for the products referred to in Article 223 of the EEC Treaty), be liberalized by 1 July 1990, Parliament also called for the installation of an expedited appeal procedure against decisions by administrations (→ point 2.1.21) and emphasized the need for penalties: with this in mind the House called for the establishment, by no later than mid-1988, of the 'public contracts group' envisaged by the Commission.

2.4.15. Parliament gave opinions on the following Commission proposals:

(i) an amendment to the Directive of 21 December 1976 coordinating public supply contracts³ and deletion of certain provisions of the Directive of 22 July 1980⁴ (→ points 2.1.22 and 2.4.14);

(ii) a Regulation introducing the preparatory phase of a Community programme on trade electronic data interchange systems (Tedis)⁵ (→ point 2.1.70);

(iii) a Directive on the own funds of credit institutions, pursuant to Article 149(2)(a) of the EEC Treaty⁶ (→ point 2.1.123);

(iv) a communication to the Council on the European dimension with regard to books⁷ (→ point 2.1.145);

(v) a Decision concerning the conclusion, on behalf of the Community, of the Convention for the Protection, Management and Development of the Marine and Coastal Environment of the Eastern African Region and the two Protocols annexed thereto⁸ (→ point 2.1.167);

¹ OJ L 13, 15.1.1977; OJ C 11, 15.1.1977; Tenth General Report, point 132.

² OJ C 173, 11.7.1986; Bull. EC 6-1986, point 1.2.1 *et seq*; Bull. EC 12-1986, point 2.1.36; OJ C 161, 19.6.1987; Bull. EC 6-1987, point 2.1.18.

³ OJ L 13, 15.1.1977.

⁴ OJ L 215, 18.8.1980; Bull. EC 7/8-1980, point 2.1.20.

⁵ OJ C 2, 6.1.1987; Bull. EC 12-1986, point 2.1.75.

⁶ OJ C 243, 27.9.1986; Bull. EC 9-1986, point 2.1.56.

⁷ Bull. EC 11-1985, point 2.1.93.

⁸ OJ C 253, 10.10.1986; Bull. EC 6-1986, point 2.1.152.

(vi) a Directive on the approximation of the laws of the Member States concerning the safety of toys¹ (→ point 2.1.179);

(vii) a Regulation setting an additional period of four months from 18 July for the use of the special import quota for high-quality beef opened by the Regulation of 13 November 1986 (→ point 2.1.199);

(viii) an amendment to the Regulation of 30 June 1981 on a common measure to improve public amenities in certain less-favoured agricultural areas of the Federal Republic of Germany² (→ point 2.1.218).

2.4.16. Resolutions were passed on the following subjects.

Freedom to provide insurance services other than life assurance. Parliament regretted that the deadline laid down in the EEC Treaty for the removal of all restrictions on freedom to provide services had not been respected in the insurance sector. The House urged the Council to adopt without delay the second proposal for a Directive to facilitate the freedom to provide services in insurance other than life assurance, which has been pending for nine years. It also called on the Commission to review its programme for future legislative proposals in the light of recent judgments of the Court of Justice.

Social accounts. Parliament argued that the presentation of social accounts, an obligation that France and Portugal alone among the Community countries imposed on businesses with more than a set number of employees, constituted a useful information tool that facilitated comparison of data for the purpose of rationalizing firms' social management and equal rights policies. The Commission was therefore requested to make a detailed study by June 1988 on the presentation of social accounts, and the Economic and Social Committee was asked to give an opinion on the matter. The House also hoped that the subject would be included on the agenda of future Val Duchesse meetings so that it could be discussed by workers' and employers' representatives.

Open universities in the Community. Believing that new forms of education and training are needed for adults unable or not wishing to study full-time and that the age group concerned constitutes a growing percentage of the population, Parliament voiced a number of considerations concerning the role of the open universities as providers of continuing education and on their creation and financing. The House made recommendations to national and regional authorities, urging them in particular to support this type of university to provide continuing training for the young unemployed, women, migrants, handicapped people and prisoners. Parliament called on the Commission to encourage these establishments, and having made suggestions as to their operation Parliament urged the proposed European television channel to broadcast open university programmes.

The contribution of cooperatives to regional development. Parliament restated the role that cooperatives can play in ensuring that economic growth generates more employment and made suggestions as to the principles they should apply to that end. After asking the Commission to implement a Community development programme with the aim of disseminating the cooperative ideal in the less-developed regions and to forge and maintain links with the highest organs of cooperative organizations, the House recommended certain arrangements to promote cooperative societies and facilitate their operations.

The erosion of agricultural soils and wetlands in the Community. In a resolution discussing the causes and consequences of soil erosion in large parts of the hill and mountain regions, Parliament expressed its alarm at the situation and urged the Commission to produce a European programme to combat the erosion and deterioration of soils. It also listed the measures needed to conserve the hydrological and hydrogeological balance and to control flooding and stressed the need to integrate agri-

¹ OJ C 282, 8.11.1986; Bull. EC 10-1986, point 2.1.128.

² OJ L 197, 20.7.1981; Bull. EC 6-1981, point 2.1.99.

culture and environmental protection more closely.

Establishment and conservation of Community nature reserves. Parliament appraised the reasons justifying the protection and preservation of the natural heritage, fauna and flora and landscapes, and welcomed the Commission's move to draw up an inventory of the various types of protected area in the Member States. It deplored the fact that some Member States have still to ratify and implement the Berne Convention and set out the major principles for harmonizing at Community level certain management regulations covering the protection of biotopes. Parliament addressed recommendations to the Commission for the measures it hoped to see taken in this area, particularly the transformation of national parks in France and Spain into a 'European natural park', the designation of the protected area of the Waddensee as a 'Community nature reserve' and the establishment of a chain of biogenetic wetlands.

The threatened extinction of pearl mussels in Europe's rivers and streams. In view of the rapidly dwindling populations of pearl mussels in the Community and the indication provided by the pearl mussel of the quality of water, the House called on the Commission to convene a specialist conference, to consider the possibility of financing the work of registering the surviving populations and to designate pearl mussel habitats protected sites. Legislation also needed to be introduced to regulate pearl mussel fishing.

The effect of the common agricultural policy on agricultural trade with non-member countries and on employment in the Community. Since trade in agricultural products constitutes a major share of Community trade in general, Parliament regretted that certain mechanisms of the agricultural policy had increased its costs and took the view that first consideration must be given to the peoples of the Third World who were directly affected by the Community's agricultural and trade policies. The House therefore held that food aid must be solely a response to the needs of recipient

countries and not a method for reducing the Community's agricultural surpluses; it hoped that the new policy would continue to set aside a certain proportion of production for food aid.

Community financing for amenities in rural areas. In view of the very large number of rural amenity projects that had accumulated in Commission departments awaiting finance, Parliament called for Community policy in this field to be planned in conjunction with regional programmes or integrated measures covering all the social and economic needs of rural societies. It suggested that the Commission produce proposals for boosting the funds provided for the purpose and urged it to draw up a programme devoted specifically to rural infrastructures.

The dangers of the privatization of nuclear energy. With nuclear-generated electricity now accounting for a large percentage of total electricity production in many Community countries, Parliament saw the need for a guarantee of maximum safety in the running of nuclear power stations that only the public authorities were able to ensure, as regards both the general interest and the ecological, economic and social aspects. It therefore asked the Commission to prepare a directive that would make the construction and operation of nuclear power stations and all industrial activity connected with the fuel cycle subject to the strictest public control and to use its safeguard powers to monitor the safety of nuclear sites.

Recent nuclear accidents in the Community. Concerned about the number of accidents which have occurred in nuclear plants in the Community recently — fortunately without loss of life or danger to the public — and the probability that others will occur in future and people may be exposed to radiation which will not stop at frontiers, Parliament believed that such risks called for international control. The House therefore asked the Community and national authorities to make use of all the existing provisions of the Euratom Treaty and the Single Act in the area of nuclear safety and health protection and at the same time to take

steps to amend the Euratom Treaty in order to extend the Community's powers in the field of nuclear safety. The Commission was invited to monitor national plans for civil protection in the event of a nuclear accident and to maintain a register of all nuclear incidents in the Community, which should be open to public inspection.

Setting up a Commission Delegation in Oslo. In view of the importance of Community relations with Norway and in response to the explicit request of the Norwegian Prime Minister to have a Commission Delegation established in Oslo, Parliament asked the Council and the Commission to set up a Delegation in Oslo by the end of the year. Since no appropriation was entered in the budget for the purpose, Parliament gave its agreement in principle for the necessary administrative appropriations to be released.

The international tin crisis. Parliament noted that the price of tin had fallen from UKL 8 500 per tonne to UKL 4 000 and that the tin crisis was having serious effects on the tin-producing countries, which for the most part were also developing countries, and on the Cornwall mining area in the United Kingdom. Regretting that the sixth International Tin Agreement had broken down, the House went on to consider various aspects of that Agreement, the role of the International Tin Council, the responsibilities involved and the new Agreement to be concluded at the end of the crisis. It was also suggested that the Commission might contemplate building up a stock of strategic products and cooperate with the British Government in redeveloping and modernizing the Cornish mines to make them competitive.

Draft amending and supplementary budget No 1 for 1987¹ (→ point 2.3.2). As the document presented by the Council did not give a full account of revenue and expenditure for 1987 and proposed to defer expenditure to 1988 even though it was still not known how the 1988 budget would be financed, Parliament refused to associate itself with the procedure for draft amending and supplementary budget No 1 for 1987

and would not accept that it could have any binding consequences for the 1988 budget.

The draft amending budget of the ECSC for 1987. Parliament took exception to the attitude of the Council, which had failed to release monies available in the general budget of the Communities for a programme of social measures in connection with the restructuring of the coal and steel industries. But the House welcomed the Commission's willingness to provide additional funding for such measures from the ECSC's own resources. Parliament recommended further scrutiny of the level of the ECSC's liquid reserves, requesting at the same time that the ECSC continue to use its own assets to finance ECSC activities, and endorsed the Commission's proposed amendments to the 1987 operating budget.

*The Brussels European Council on 29 and 30 June.*² Parliament deplored the fact that the European Council had failed to reach decisions on the main items on its agenda and that the United Kingdom had been unable to come into line with the other Member States. The House considered that without budgetary reform to guarantee stable, secure and adequate resources, the Community will be unable to achieve the objectives of the Single Act, especially as the Act came into force six months late. The House refused to accept any budgetary discipline which the Council might try to impose unilaterally and pointed out that the European Council meeting in Copenhagen would be the final opportunity for decisions to be made in conformity with the timetable laid down by the Single Act.

*The Council Decision of 22 June 1987 on the implementing powers of the Commission.*³ Parliament deeply regretted not having been consulted on the final form of this Decision, which took no account of its demands. The House also found the Decision to be an alarming sign of lack of political will on the part of the Member States to give material shape to the objec-

¹ Bull. EC 5-1987, points 1.1.2 to 1.1.4 and 2.3.1.

² Bull. EC 6-1987, point 1.1.1 *et seq.*

³ Bull. EC 6-1987, points 2.4.11 and 2.4.12.

tives of the Single Act that they had nevertheless endorsed and ratified. It was regretted that the Commission had not thwarted the Council's Decision by withdrawing its proposal.

2.4.17. In the fields of political cooperation and human rights Parliament passed the following resolutions.

The bomb attack in Barcelona. Deeply disturbed by the bomb attack at a Barcelona supermarket on 19 June, which killed 19 people and injured 32 others, Parliament utterly condemned this outrage as a real crime against the people for which ETA was alone responsible. The House insisted that any act of terrorism in one Member State affected the others. Parliament expressed its sympathy for the relatives of the victims and wished the many injured a speedy recovery. It called on the Member States and the institutions to join forces for more effective and mutually supportive cooperation to combat violence and bigotry, which it once again condemned.

Fines imposed on Polish citizens for translating the Amnesty International Newsletter. Citing the Universal Declaration of Human Rights, Parliament called on the Polish Government to revoke the unjust fines imposed on Piotr Ikonivich and Malgorzata Gorczewska for possessing and translating the Newsletter, which Parliament felt should be allowed to be circulated freely. The House also called on the Polish authorities to reinstate in his post at Lodz hospital Dr Marek Edelman, the former second-in-command of the Warsaw ghetto uprising and a symbol of humanitarian action, and to permit him to visit his family in France.

Executions in Libya. Parliament condemned the barbarous conduct on the part of Colonel Gaddafi following the hanging, on 7 February, of five university students and a school teacher and the shooting of three soldiers. These nine people, whose names appear in the resolution, had been executed in public in front of television cameras. Parliament called for the restoration of a constitutional State in Libya and the estab-

lishment of human rights. The Foreign Ministers meeting in political cooperation were urged to take all possible steps to persuade the Libyan Government to prevent a repetition of such vile acts and to abolish the 'revolutionary courts' and all forms of the death penalty.

The situation in South Africa. Parliament deplored the harsh and unreasonable prison sentences imposed on seven young people, all then aged 18 or younger, following incidents on 15 October 1985 in a Cape Town suburb, and called on the South African Government to release them immediately and to respect the Universal Declaration of Human Rights. It also condemned the arrest of four trade union leaders. The Foreign Ministers were urged to protest against the sentences.

The situation in Chile. Parliament strongly condemned the murders of opponents of General Pinochet's dictatorship in various parts of Santiago between 15 and 17 June, as well as the arbitrary arrest and detention of other democrats. The House reiterated its support for the efforts of democratic forces in Chile to restore democracy, in particular through the organization of free elections. Parliament also supported the call for a committee of inquiry into these events and insisted that the 14 Chileans recently sentenced to death be brought before civilian courts.

The situation in South Korea. Alarmed at the recent outbreak of civil unrest in South Korea and underlining the increasing importance of relations between South Korea and the Community, Parliament took note of the undertakings given by South Korea's present government to negotiate with the opposition with a view to adoption of a new Constitution and of President Chun Doo-Hwan's acceptance of the opposition's demand for direct elections. The House called on the Foreign Ministers meeting in political cooperation to demonstrate the Community's support for the people of South Korea and to exert pressure on the South Korean Government to put an end to the present conflict.

Murder, torture and kidnapping in Haiti.

Surveying the present situation after 29 years of constant violations of human rights by the governments of Jean-Claude and François Duvalier, Parliament urged the Government of Haiti to continue with its policy of democratization, to secure the protection of the basic rights of the population and to undertake a serious investigation into recent violations, especially into the killing of 11 people and the maltreatment of four other Haitians named in the resolution.

Council

2.4.18. On 20 July the Council adopted its new Rules of Procedure (→ point 2.4.12).

2.4.18a. The Council held six meetings in July. The table below lists the number, place and date of each meeting, the names of the Council President and Commission representatives and the main items of business. A more detailed account can be found in the sections of the Bulletin referred to in the footnotes.

Table 10 — *Council meetings in July 1987*

Number, place and date of meeting	Subject	President	Commission	Main items of business
1183rd Brussels 2 and 3 July	Budget	Mr Tygesen	Mr Christophersen	Supplementary and amending budget No 1/87: adoption of draft ¹
1184th Brussels 13 July	Economic and financial affairs	Mr Simonsen	Mr Christophersen Lord Cockfield	Second-quarter examination of economic situation in the Community ² Financial implications of programme for disposal of butter stocks Derogation from sixth VAT Directive ³
1185th Luxembourg 13 July	Agriculture	Ms Schall Holberg	Mr Andriessen	Financing of common agricultural policy ⁴ Oilseeds and soya beans
1186th Brussels 20 July	General affairs	Mr Ellemann-Jensen	Mr Delors Mr Christophersen Mr De Clercq	Community-United States relations: Council conclusions on Trade Bill and on pasta dispute ⁵ Community-Japan relations: Council conclusions ⁵ Community-EFTA relations ⁵ Negotiations under GATT Article XXIV ⁶ Commission paper on Single Act: agreement on work programme ⁶ Amendment of Council's Rules of Procedure ⁶ Framework programme of research and technological development 1987-91 ⁷

Number, place and date of meeting	Subject	President	Commission	Main items of business
1187th Brussels 21 July	Environment	Mr Christensen	Mr Clinton Davis	Emissions of pollutants from motor vehicles: gaseous emissions from private cars; gaseous emissions from heavy commercial vehicles; particulate emissions from private cars ⁸ Lead content of petrol ⁸ Chlorofluorocarbons
1118th Brussels 23 July	Budget	Mr Tygesen	Mr Christophersen	1988 budget procedure: meeting with Parliament; first exchange of views

¹ Financing Community activities.

² Economic and monetary policy

³ Customs union and indirect taxation

⁴ Agriculture.

⁵ Relations with industrialized countries.

⁶ European policy and relations between the institutions.

⁷ Research and technology

⁸ Environment and consumers.

Commission

2.4.19. Mr Alois Pfeiffer, the Member of the Commission with special responsibility for economic affairs, regional policy and the Statistical Office, died in Dusseldorf on 1 August.

Activities

Decisions, communications and proposals

2.4.20. At its last meeting on 29 and 30 June¹ the European Council adopted a work programme on the Commission's communication on the Single European Act. In accordance with this programme and the arrangements agreed between the Commission and the Council on 20 July, the Commission sent the Council a communication on budgetary discipline, a proposal for a Decision on the own resources system, a second amendment to its proposal for a Regulation amending the Financial Regulation of 21 December 1977, a review of action taken to control the agricultural markets and the outlook for the common agricultural policy, and a communication and comprehensive proposal under Article 130d

of the EEC Treaty on the reform of the structural Funds (→ point 1.1.1 *et seq.*).

In accordance with the Council's Decision on convergence of 18 February 1974, the Commission sent the Council a communication on the economic outlook for 1988 and budgetary policy in the Member States (→ point 2.1.2). It also decided to step up its action to promote use of the ECU and to extend its use for implementation of the Community budget, with the ultimate objective of using the ECU whenever the existing rules permit (→ point 2.1.4).

As contemplated in its White Paper on completing the internal market, the Commission adopted proposals on the harmonization of the structures and rates of VAT and excise duty applied by the Member States, one of the basic conditions for the creation of the integrated economic area to which the Single Act looks forward (→ point 1.2.1 *et seq.*).

The Commission sent the Council its proposals for a new anti-crisis plan for the European steel industry for 1988-90. Besides

¹ Bull. EC 6-1987, point 1.1.1 *et seq.*

an ambitious programme of regional and social measures, the plan includes financial incentives for the closure of production capacity and related measures (→ point 2.1.25).

Following the political agreement reached in the Council on 20 July on the 1987-91 framework programme for research and technological development, the Commission sent the Council proposals for implementation of the thermonuclear fusion, Brite, Esprit, large-scale scientific facilities, radiation protection, Drive, AIM and Delta programmes, which will ensure that European research remains competitive (→ point 2.1.50).

The Commission sent the Council a communication on the crisis in shipbuilding designed to create a new industrial structure in the affected Community regions and to provide fresh hope for workers in the industry by financing new jobs (→ point 2.1.156).

It also sent the Council, Parliament and the Economic and Social Committee a communication describing the support which could be given by implementation of the Business Cooperation Network to the achievement of various Community policies designed to stimulate cooperation between Community firms (→ point 2.1.24).

The Commission sent the Council a report on the situation of the sardine market in the Community and the outlook (→ point 2.1.253).

Appointment of Director-General

2.4.21. The Commission appointed Mr Yves Franchet Director-General of the Statistical Office, to succeed Mr Silvio Ronchetti.¹

Yves Franchet

Born 4 March 1939.
Married, two children.
Ecole polytechnique.
Ensaie — University of Paris I.

1977-80 Director of the Insee, Paris.
1980-83 Deputy Director at the World Bank, Washington.
1983-87 Controller at the Inter-American Development Bank, Washington. Member of the Board of Executive Directors.

Court of Justice²

Analysis of judgments delivered between 1 April and 30 June 1987

Free movement of goods

2.4.22. The judgment in Case 154/85³ follows the Order of 7 June 1985⁴ by which the President of the Court ordered Italy to suspend operation of the circulars which, from 1 July 1984, imposed administrative formalities the effect of which was to hinder imports of motor vehicles from other Member States.

In view of the part played by parallel imports in the development of trade, the judgment makes a definite contribution to establishing the internal market. For the first time the Court had occasion to censure the requirement that certificates which accompany goods must be authenticated by the consular authorities (in this case, the Italian authorities) in the exporting Member State. In addition, the Court emphasized that the other formalities introduced by Italian law (e.g. production of the certificate of origin issued by the vehicle manufacturer, the lengthy period required for issuing the document and for technical inspection of the vehicle) also constitute measures having an effect equivalent to quantitative restrictions prohibited by Article 30 of the EEC Treaty.

¹ Bull. EC 9-1985, point 2.5.16.

² For more detailed information, see the material published by the Court of Justice in the *Official Journal* and the *European Court Reports*, and the publications of its Information Office (e.g. the weekly *Proceedings of the Court*).

³ *Commission v Italy*.

⁴ OJ C 178, 16.7.1985; Bull. EC 7/8-1985, point 2.5.22.

2.4.23. In Case 406/85¹ the French Public Prosecutor referred the following question to the Court for a preliminary ruling:

‘Must Article 30 of the EEC Treaty, read in conjunction with any other provision thereof, be interpreted to mean that it prohibits a Member State from introducing whether by legislation, regulation or administrative practice, for vehicles imported from another Member State and already approved for use in that State, a system imposing a further approval procedure—known as “individual approval”—whereby the vehicle must be submitted for testing unless a certificate is produced either from the manufacturer or from an authorized agent in the territory of importation who is empowered to sign certificates of conformity for the relevant vehicle type, stating that the imported vehicle conforms to the approved type?’

In response, the Court gave the following ruling:

‘At the present stage in the development of Community law, Articles 30 and 36 of the EEC Treaty are to be interpreted as meaning that an approval procedure laid down in a Member State for vehicles imported from another Member State complies with the Treaty provided that:

(a) the testing procedure does not entail unreasonable costs or delays and the public authorities ensure that those conditions are fully met where the manufacturer or his authorized agent has the task of carrying out the necessary tests;

(b) the importer may, as an alternative to the testing procedure, produce documents issued in the exporting Member State where those documents provide the necessary information based on tests already carried out.’

This judgment goes further than the position adopted by the Commission hitherto.

Competition

2.4.24. In five cases,² dealt with together, the Court dismissed applications for declar-

ations that Council Regulation (EEC) No 2089/84 of 18 July 1984 imposing a definitive anti-dumping duty on imports of certain ball bearings originating in Japan³ is void.

The Court upheld the arguments put forward by the Commission (intervener) and the Council concerning the method used to calculate the dumping margin in the event of variations in the prices of goods exported to the Community and the use of different methods for calculating the export price and the ‘normal value’ (i.e., in this case, the price in Japan). A more important aspect is that the Court agreed that the Commission can use the prices paid to sales subsidiaries in Japan as the basis for the normal value and that it reaffirmed that the institutions are not compelled to accept price undertakings which are offered and that they enjoy a margin of discretion as regards such undertakings.

2.4.24a. In Case 5/86⁴ the Court censured Belgium for failing to implement, within the prescribed period, a Commission Decision on aid granted by the Belgian Government to a manufacturer of polypropylene fibre and yarn.

2.4.25. In interlocutory proceedings brought by the Belgian Government,⁵ the President of the Court dismissed an application for an order that application of the Commission Decision of 4 February 1987 requiring the recovery of aid unlawfully granted to the firm Tubemeuse (BFR 11 800 million) be suspended.

This ruling not only reaffirms the Court’s severity in regard to unlawful aid but, in addition, introduces very restrictive interpretative criteria, some of which are

¹ *Procureur de la République v Gofette and Gillhard*.

² Case 240/84 *NTN Toyo v Council*, Case 255/84 *Nachi Fujikoshi v Council*, Case 256/84 *Koyo Seiko v Council*, Case 258/84 *Nippon Seiko v Council*, Case 260/84 *Mmbea v Council*.

³ OJ L 193, 21.7.1984.

⁴ *Commission v Belgium*.

⁵ Order of 15 June 1987 in Case 142/87 R *Belgium v Commission*.

new. These criteria are likely to strengthen significantly the Commission's position in relation to Member States which in the first place fail to comply with the procedural requirements laid down in Article 93(3) of the EEC Treaty (*inter alia* the requirement concerning prior notification of planned aid) and then claim that it is impossible to recover aid by citing considerations based on the survival of the recipient firm or the confidence of creditors. The two grounds on which the Belgian application was dismissed are centred on the finding that:

'(a) the detriment to which the Belgian Government alludes in this case concerns the possible detriment which Tubemeuse and its creditors would suffer if the application for an order suspending application of the Decision were refused and not the detriment which it would necessarily suffer itself in that situation;

(b) even if Tubemeuse itself were to claim that the recovery procedure initiated by the Belgian Government pursuant to the Commission's Decision of 4 February 1987 could cause it serious and irreparable harm, it would still have to plead circumstances or put forward arguments showing that the national remedies available to it under Belgian law for the purpose of opposing the procedure did not enable it to avoid sustaining such harm.'

2.4.26. The judgment in Case 118/85¹ makes a definite contribution to resolving the problem of the financial relations between Member States and their public undertakings. By giving a functional definition of the term 'public undertaking' in accordance with the Commission's wishes it puts an end to any ambiguity which might still exist in this field.

The case arose from action by the Italian Government, which in connection with the Commission Directive of 25 June 1980 on the transparency of financial relations between Member States and public undertakings² had refused to supply the Commission with the balance sheet of the Amministrazione Autonoma dei Monopoli di

Stato (AAMS) on the ground that it could not be regarded as a public undertaking since it lacked legal personality distinct from that of the State but was simply a branch of administration of the Italian Government. The latter accordingly contended that AAMS ought to have been regarded as a 'public authority' within the meaning of the Directive.

The Court reaffirms the principle that the State may either act as a public authority or participate in economic activities of an industrial or commercial nature. In the latter situation, the Court emphasizes that it is of no consequence that the State pursues its economic activities through an organ which forms an integral part of its administration. The fact that AAMS is an integral part of the administration of the Italian State does not, accordingly, prevent its being regarded as a public undertaking.

Free movement of persons and social affairs

2.4.27. The judgment in Case 225/85¹ represents the latest stage in the development of the Court's case law on the application of Article 48(4) of the EEC Treaty, the exception to the principle of freedom of movement for workers which is permitted by the Treaty in the case of employment in the public service.

The Commission brought an action against Italy on account of its refusal to establish researchers who were nationals of other Member States and who had been working for some considerable time for the National Research Council (NRC) under two-yearly renewable contracts. Researchers of Italian nationality who satisfied the same conditions and possessed the same qualifications had been established.

The Court found in favour of the Commission and made a number of very interesting points regarding the definition of employment in the public service.

¹ *Commission v Italy*.

² OJ L 195, 29.7.1980; Bull. EC 6-1980, point 2.1.34

It held that only management duties or duties involving advising the government on scientific and technical matters could be classed as employment in the public service within the meaning of Article 48(4) but that it had not been established that such duties were carried out by the NRC researchers. This is the first time that the Court has accepted that duties which involve simply advising the government may be reserved by that government for its own nationals.

Hitherto the only posts to which, according to the case law of the Court, the Member States were not by law required to apply the principle of the prohibition of discrimination based on nationality were those which involved 'the exercise of powers conferred by public law and safeguarding the general interests of the State'. Henceforth, employment which involves simply assisting or advising those empowered to exercise public authority may also be classed as 'reserved' employment for the purposes of Article 48(4) of the Treaty. There is an obvious danger that the Member States will interpret such 'advisory' duties broadly (and improperly) in order to deny them to nationals of the other Member States.

In addition, in two very important passages in the judgment, the Court no longer applies in a cumulative manner (for the most recent instance see Case 66/85¹) the two criteria that enable the employment covered by Article 48(4) of the Treaty to be identified (exercise of powers conferred by public law and safeguarding the general interests of the State) but refers to them individually (exercise ... or safeguarding ...), which would appear to be a substantial restriction of the possibility of applying the general rule prohibiting discrimination based on nationality to employment in respect of which the fulfilment of a requirement (involvement in the exercise of powers conferred by public law) is evidently beyond question, whereas fulfilment of the second requirement (safeguarding the general interests of the State) can be easily challenged. It will accordingly have to be seen whether the Commission is faced with a genuine reversal of the Court's case law in this

regard or whether this is simply an *obiter dictum*.

Taxation

2.4.28. In Case 196/85 *Commission v France* the Court dismissed an action brought by the Commission against France concerning alleged tax discrimination arising from the more favourable tax treatment granted in France to certain wines called 'natural sweet wines'.

The Commission had raised three objections dealing respectively with the concept of 'traditional and customary production' as a criterion enabling a wine to benefit from the more favourable treatment, the system of controls for imported wines affording guarantees equivalent to those required of natural sweet wines coming from French vineyards and the requirement of special accompanying documents for imported sweet wines.

The Court dismissed the first objection on the ground that the criterion of 'traditional and customary production' required to enable a wine to enjoy favourable tax treatment applied without distinction both to national and to imported products. It also dismissed the second objection. The Court noted however in its grounds of judgment that a system of control, in order to be compatible with the principle of proportionality, must leave to the Member State of origin the choice of the methods and of the authority responsible for applying the controls and must not make the recognition of equivalence depend on a prior agreement negotiated between the national administrations concerned.

The Commission had withdrawn its third objection during the proceedings since France had amended its legislation to meet this point.

2.4.29. Two judgments given by the Court in Cases 184/85 and 193/85² were both

¹ *Lawrie-Blum v Land Baden-Württemberg*.

² *Commission v Italy and Cooperativa Co-frutta v Amministrazione delle Finanze*.

concerned with the conformity with Community law of the excise duty charged in Italy on bananas.

The Commission, in an action brought under Article 169, had based its arguments solely on Article 95 of the Treaty and the discrimination suffered by bananas produced in other Member States (especially in the French overseas departments) in relation to table fruit produced in Italy. The Milan court extended the analysis of the question to Articles 9 and 12 of the Treaty and to bananas originating in non-member countries which are in free circulation in the other Member States.

The Court held first that the consumer tax on bananas formed part of a general system of internal taxation (excise duties) governed by common rules and applied to categories of products in accordance with objective criteria irrespective of the origin of the products. The question of its compatibility with Community law had therefore to be examined under Article 95 and not under Articles 9 and 12 (charges having equivalent effect).

The Court went on to hold that table fruit of typically Italian production and bananas are in a situation of partial competition since bananas offer an alternative choice to consumers of fruit. Consequently, a tax charged exclusively on bananas was contrary to the second paragraph of Article 95 of the Treaty since it was of such a nature as to protect domestic fruit production.

Finally, Article 95 supplemented the provisions of the Treaty concerning the elimination of customs duties and charges having equivalent effect since its aim was to ensure free movement of goods between the Member States by the elimination of all forms of protection that might result from the application of discriminatory internal taxation. It followed that an interpretation of Article 95 which excluded its application to products in free circulation would attain a result contrary both to the spirit of the Treaty as expressed in Articles 9 and 10 (free movement of goods) and to its system (the Court expressly mentioned the exclus-

ive competence of the Community for commercial policy in relation to non-member countries).

Consequently, Article 95 of the Treaty concerned all products coming from Member States, including products from non-member countries which are in free circulation in the Member States. This last statement, which is contrary to the restrictive interpretation of Article 95 proposed both by the Commission and by Mr Advocate General Lenz, makes the judgment in *Cooperativa Co-frutta* a landmark in the application of the fundamental principle of prohibition of tax discrimination.

Common agricultural policy and fisheries

2.4.30. In Case 363/85 *Commission v Italy* the Court gave judgment dismissing the Commission's action based on failure to incorporate into national law the definitions of 'animals' contained in Council Directive 80/502/EEC on the fixing of maximum permitted levels for undesirable substances and products in feedingstuffs.¹ This judgment confirms that the Court adopts a certain flexibility as regards the incorporation of directives. The Court held that the incorporation of a directive into national law does not necessarily require a formal and verbatim reproduction of its provisions in an express and specific legal provision but may, depending on its content, arise from a general legal context, provided the latter effectively ensures the full application of the directive in a sufficiently clear and precise manner so that, where the directive seeks to confer rights on individuals, those entitled are enabled to know the full extent of their rights and to enforce them where necessary before the national courts.

2.4.31. In order to study how consumers would react to a decrease in the price of butter, the Commission on 25 February 1985 ordered, by a decision that was not

¹ OJ L 124, 20.5.1980; Bull. EC 5-1980, point 2.1.65.

published and was notified only to one Member State (the Federal Republic of Germany), the organization of a sale of 900 tonnes of intervention butter in West Berlin. Since the butter was to be offered to consumers in a package containing two packets of 250 grams (one containing fresh open market butter and the other containing butter from stock which was to be labelled 'free EEC butter'), several rules of German law concerning unfair competition were infringed.

As soon as the Commission's decision became known, several margarine manufacturers, relying *inter alia* on German legislation on unfair competition, sought an injunction from the civil and administrative courts of Frankfurt-on-Main restraining the intervention organization (BALM) from carrying out the decision mentioned. The civil courts, while holding that there had been several infringements of German legislation, dismissed these actions. The Frankfurt Administrative Court, on the other hand, granted an injunction as a matter of urgency, restraining BALM from making butter from public stocks available free of charge to commercial firms, whereupon the Commission intervened to support BALM in appealing against the decision.

When the decision was quashed by the Appeal Court, the courts of first instance referred to the Court of Justice a series of preliminary questions concerning the legality of the action and the question whether a decision such as the Commission had made in February 1985 precluded the national courts from applying their national law on unfair competition.

By its judgments in *Rau* and *Albako*¹ the Court not only rejected all the doubts expressed by the Frankfurt Administrative Court but also ruled that an operation like the one ordered by the Commission for West Berlin could not be made subject to national law on unfair competition. The Court explained, however, that the validity of a Community act could be affected by its incompatibility with the principles laid down by Community law concerning com-

petition, particularly the requirement of the fairness of transactions. While the Court did not criticize the Berlin operation from this point of view, this was apparently due to the fact that the requirements arising from the competition rules have to be reconciled with the objectives of Article 39 of the Treaty.

An action for annulment brought by the margarine manufacturers was at the same time dismissed as inadmissible. By an order of 3 May 1985 the President of the Court had already dismissed an application for interim measures seeking to have the execution of the Commission's decision suspended.

2.4.32. In the *Melkproducentenbedrijven* cases,² in reply to preliminary questions raised by the College van Beroep voor het Bedrijfsleven (Dutch administrative court of last instance in matters of trade and industry), the Court confirmed the validity of the system of different interest rates in different Member States for determining the financing costs in connection with the private storage of butter. This system had been introduced by the Commission by Regulation No 1746/84,³ which amended Article 24 of Regulation No 685/69,⁴ replacing the uniform rate applied until then (11%) by different rates depending on the Member State where the butter is stored: 7% in Germany and in the Netherlands, 9.5% in the United Kingdom and 10.5% in the other Member States. (These rates were subsequently revised and on 17 May 1986 were fixed at 6.5% in Germany and the Netherlands and at 9.5% in the other Member States.)

The amount of aid for the private storage of butter has to be fixed by the Commission taking into account not only the costs of

¹ Cases 133 to 136/85 *Rau and Others v Bundesanstalt für landwirtschaftliche Marktordnung* and 249/85 *Albako v Bundesanstalt für landwirtschaftliche Marktordnung*.

² Cases 424 and 425/85 *Coöperatieve Melkproducentenbedrijven Noord-Nederland and Others v Voedselvoorzienings in- en verkoopbureau*.

³ OJ L 164, 22.6.1984.

⁴ OJ L 90, 15.4.1969.

storage but also foreseeable developments in the prices of fresh butter and of butter from stock. The aid must provide those holding butter with a sufficient incentive to store themselves the butter which cannot be disposed of on the market instead of selling it to the intervention agency.

Before 1984 the Commission had fixed flat-rate amounts applicable to the whole of the Community for all components of storage costs, including the financing costs. By the regulation in question, however, it had fixed differential interest rates for calculating the financing costs. This system was designed to avoid an unjustified enrichment of traders at the expense of the Community and to prevent a disturbance of the functioning of the common organization of the market by artificial and speculative movements of butter towards the Member States where interest rates are low in order to put it into private storage with Community aid when it could have been disposed of normally on the market.

The Court ruled that this system of different interest rates did not constitute a discrimination prohibited by Article 40(3) of the Treaty and was not incompatible with the rule of uniformity of prices and with the unity of the butter market, nor with the principle of free movement of capital.

2.4.33. On the subject of fisheries two important judgments were given.¹ In Case 46/86 the Court held that Council Regu-

lation No 1/85,² which allocated the total allowable catches of plaice in the North Sea in national quotas according to the same formula already used for 1982, was valid although the quota of one Member State was exhausted while those of certain other Member States remained partially unused each year. This judgment made it possible to resolve numerous criminal cases in the Netherlands involving fishermen who had exceeded the quotas, which had been suspended by the courts pending the decision of the Court of Justice.

In Case 53/86 the Court ruled that a national measure prohibiting the fishermen of the Member State which adopted the measure from catching fish of a minimum size different from the Community norm is covered by Article 20(1) of Council Regulation No 171/83,³ which authorizes the Member States to adopt stricter measures provided they are limited to their national fishermen. The Court expressly declined to rule on Mr Romkes's contention that this provision was incompatible with the basic Regulation (170/83)³ and with Community law as being discriminatory, a point referred to by the Court at the oral hearing but left undecided because the court referring the questions had not raised any question concerning the validity of this provision.

¹ Cases 46/86 *Romkes v Officier van Justitie* and 53/86 *Officier van Justitie v Romkes and Others*.

² OJ L 1, 1.1.1985; Bull. EC 12-1984, point 2.1.174.

³ OJ L 24, 27.1.1983.

2.4.34. New cases

Case	Subject	Basis
ECSC — Steel		
209/87 ¹ and 209/87 R ² EISA v Commission	(i) Annulment of Commission Decision No 1433/87/ECSC on converting a proportion of the production quotas into quotas for delivery on the common market	Article 33 ECSC
214/87 ¹ and 214/87 R ² Cockerill Sambre v Commission	(ii) Application for suspension of the operation of that Decision	Article 39 ECSC Article 83 of the Rules of Procedure

Case	Subject	Basis
218/87 Hoogovens Groep v Commission ³	Annulment of Commission Decision No 1433/87/ECSC on converting a proportion of the production quotas into quotas for delivery on the common market	Article 33 ECSC
219/87 Hoogovens Groep v Commission ³	Annulment of Commission Decision No 1434/87/ECSC repealing Decision No 3524/86/ECSC amending Decision No 3485/85/ECSC on the extension of the system of monitoring and production quotas for certain products of undertakings in the steel industry	Article 33 ECSC
223/87 ⁴ and 223/87 R Assider v Commission	(i) Annulment of Commission Decision No 1433/87/ECSC on converting a proportion of the production quotas into quotas for delivery on the common market (ii) Application for suspension of the operation of that Decision	Article 33 ECSC Article 39 ECSC Article 83 of the Rules of Procedure
237/87 Otto Wolff Flachstahl v Commission ²	Annulment of the decision which may be inferred from the silence of the Commission refusing the applicant's application of 27 April 1987 for an adjustment of its reference production in respect of products in category 1b	Third paragraph of Article 35 ECSC
250/87 Otto Wolff Flachstahl v Commission ⁵	Annulment of the individual Commission Decision of 8 July 1987 laying down the applicant's quotas for the third quarter of 1987	Article 33 ECSC
Free movement of goods		
190/87 Oberkreisdirektor of the district of Borken and the representative of the public interest at the Oberverwaltungsgericht für das Land Nordrhein-Westfalen v Handelsgesellschaft Moormann	Does a German law requiring systematic checks on fresh poultrymeat imported into Germany from the Netherlands conflict with Articles 5, 30 and 189 of the EEC Treaty, Article 11(2) of Council Regulation No 2777/75, and Article 1(1) of Council Directive 83/643/EEC?	Article 177 EEC
215/87 Schumacher v HZA Frankfurt am Main-Ost ⁶	Is Section 73(1) of the German Act amending the Drugs Code of 24 August 1976 compatible with Article 30 of the EEC Treaty in so far as it generally prohibits the importation by private individuals of drugs from other Member States?	Article 177 EEC
Customs union		
234/87 Casion Computer Deutschland v Oberfinanzdirektion München	Tariff classification of electronic devices which are intended principally for calculation but also for other operations and are programmable by a method which is more simple to use than a programming language	Article 177 EEC
Right of establishment		
143/87 Stanton and l'Étoile 1905 v Institut national d'assurances sociales pour travailleurs indépendants	(i) Where a Member State refuses to exempt in whole or in part a national of another Member State providing services in the first State from payment in the first State of social security	Article 177 EEC

Case	Subject	Basis
	<p>contributions under the regime for self-employed persons in respect of activities of a secondary nature pursued in that capacity in that State even though he is subject to the social security legislation of the second State in respect of his principal activity as an employed person, solely on the ground that his activity as an employed person pursued 'habitually and by way of principal occupation' takes place outside the territory of the Member State in which the service is provided, is that compatible with the wording and spirit of Article 76, Article 8(1) and (7), Article 52, the first paragraph of Article 59, the third paragraph of Article 60 and Article 65 of the EEC Treaty?</p> <p>(ii) If the reply to that question is in the negative, are the applicable Community provisions incompatible with paragraphs 1 and 3 of Article 35 of the Belgian Royal Decree of 19 December 1967 laying down general rules for the implementation of Royal Decree No 38 of 27 July 1967 on the social security regime for self-employed persons, inasmuch as only an activity pursued in Belgium is regarded as a professional activity other than that pursued as a self-employed person, even where those paragraphs do not contain an express provision to that effect?</p>	
204/87 Bekaert v Procureur de la République, Rennes	Are the French laws laying down planning rules applicable to commercial premises, in particular Sections 28 to 36 of Act No 73-1193 of 27 December 1973, compatible with the provisions of the EEC Treaty and with EEC directives?	Article 177 EEC
Taxation		
107/87 Weissgerber v Finanzamt Neustadt an der Weinstrasse	In relation to transactions carried out between 1 January 1978 and 30 June 1978 and in 1979, is it possible for the provision concerning the exemption from turnover tax of transactions consisting in the negotiation of credit to be relied upon, in the absence of the implementation of the sixth VAT Directive, by a credit negotiator where he refrained from passing that tax on to persons following him in the chain of supply?	Article 177 EEC
230/87 Naturally Yours Cosmetics v Commissioners of Customs & Excise ²	Interpretation of Article 11A of the sixth VAT Directive regarding the determination of the taxable amount where a wholesaler supplies cosmetics to a retailer for a monetary consideration which is less than that at which he supplies identical goods to the retailer for resale to the public on an undertaking by the retailer to use the goods in procuring another person to arrange, or in rewarding another for arranging, a gathering at which further goods of the	Article 177 EEC

Case	Subject	Basis
231/87 Ufficio distrettuale delle imposte dirette di Fiorenzuola d'Arda v Comune di Carpaneto Piacentino ⁷	wholesaler can be sold by the retailer to the public for their mutual benefit Interpretation of Article 4(5) of the sixth VAT Directive (Council Directive 77/388/EEC) on the question of whether certain activities of local authorities are taxable	Article 177 EEC
240/87 Deville v Administration des impôts	Is it in conformity with the general principles of Community law to impose a time-limit on the effects of the retroactive abolition of the special tax on certain imported vehicles which was declared contrary to Article 95 of the EEC Treaty by the judgment of the Court of Justice in Case 112/84 <i>Humblot v Directeur des services fiscaux</i> ?	Article 177 EEC
Competition		
238/87 Volvo v Erik Veng (UK) ⁴	Does a refusal by a manufacturer holding registered designs to refuse to licence others to supply the goods covered, even against payment of a royalty, constitute an abuse of a dominant position?	Article 177 EEC
Social policy		
213/87 Municipality of Amsterdam and VIA v Commission ⁸	Annulment of the Commission Decision of 31 March 1987 concerning aid from the European Social Fund towards the financing of projects submitted by the Netherlands for the calendar year 1987	Article 173 EEC
Social security		
151/87 Bakker v Rijksdienst voor Werknemerspensioenen	Interpretation of the first and second sentences of Article 12(2) of Council Regulation No 1408/71 regarding: (i) the application of a national rule reducing the applicant's pension from the amount for a household to the amount for a single person when the applicant's spouse began to receive a pension in another Member State; (ii) the question whether the separate old-age pensions awarded to married persons in the Netherlands, where account is taken of the fact that they are married, and a Belgian pension awarded at a household rate constitute 'benefits of the same kind in respect of ... old age'	Article 177 EEC
192/87 Vanhaeren v Rijksdienst voor Arbeidsvoorziening	Applicability of Article 69(1) and (2) of Council Regulation No 1408/71 where the person concerned went to Germany to seek employment and was employed there, and on her return to Belgium requested unemployment benefits on the basis of her employment record abroad	Article 177 EEC

Case	Subject	Basis
236/87 Bergemann v Bundesanstalt für Arbeit ²	May a worker be regarded as a frontier worker within the meaning of Article 1(b) and Article 71(a) of Regulation (EEC) No 1408/71 even if he was on contractual leave and never returned to work between the end of his holiday and the termination of his employment, that is to say, if the worker never returned to his place of employment in one Member State from his residence in another Member State? If not, does Article 71(b)(ii) of Regulation (EEC) No 1408/71 apply only to the classes of persons referred to in Decision No 94 of the Administrative Commission of the European Communities on Social Security for Migrant Workers of 24 January 1974?	Article 177 EEC
Free movement of persons		
186/87 Cowan ⁹	Are the provisions of Article 706-15 of the French Code of Criminal Procedure which govern cases where a foreign national who is the victim of an offence in France may obtain compensation from the French State compatible with the principle of non-discrimination contained, <i>inter alia</i> , in Article 7 of the EEC Treaty?	Article 177 EEC
197/87 Steyman v Staatssecretaris van Justitie ¹⁰	Interpretation of Articles 59 and 60 of the EEC Treaty with regard to the case of a national of a Member State who goes to reside in another Member State for an indefinite period, thereby establishing his principal residence in that other Member State, when his residence in that Member State is not limited in time by the nature of his activities, namely participating in a community based on religion or on another form of philosophy and in following the rules of life of that community, whose members provide each other with certain benefits	Article 177 EEC
235/87 Matteucci v 1. Communauté française and 2. Commissariat général aux relations internationales de la communauté française de Belgique ²	Must Articles 7, 48, 59, 60 and 128 of the EEC Treaty be interpreted as meaning that scholarships granted by a Member State cannot be reserved for nationals of one other Member States, as is done by Article 4 of the Cultural Agreement entered into on 24 September 1956 by Germany and Belgium?	Article 177 EEC
Education		
242/87 Commission v Council ¹¹	Annulment of Council Decision 87/327/EEC adopting the European Community action scheme for the mobility of university students (Erasmus), on the ground that Article 235 of the EEC Treaty should not have been added as a legal basis	Article 173 EEC

Case	Subject	Basis
<p>Euratom health and safety</p> <p>187/87 Saarland and Others v Minister for Industry, Posts and Telecommunications and Tourism, and Others</p>	<p>Does Article 37 of the EEC Treaty require the Commission to be notified before the disposal of radioactive effluent by nuclear power stations is authorized by the competent authorities of the Member States, where a procedure for prior authorization is set in motion, or before such disposal is effected by nuclear power stations?</p>	<p>Article 150 Euratom</p>
<p>Agriculture</p> <p>182/87 Trouw v Hoofdprodukt-schap voor Akkerbouwprodukten</p>	<p>Must Article 1(5) and Article 4(1)(a) of Regulation (EEC) No 1725/79, read in conjunction with each other, be construed as meaning that the actual quantities of skimmed-milk powder per 100 kilograms of the finished product should be multiplied by a coefficient of 0.9 and that the result of that multiplication should be between 60 and 70 kilograms?</p>	<p>Article 177 EEC</p>
<p>195/87 Cehave v Hoofdprodukt-schap voor Akkerbouwprodukten⁶</p>	<p>Interpretation of Article 4 of Council Regulation No 2727/75, Article 2 of Council Regulation No 1676/85, Council Regulation No 1584/86 and Commission Regulation No 2040/86 regarding the method of conversion into national currency of the co-responsibility levy to be imposed on the first operator processing grain, and the possibility of passing on conversion differences to other links in the commercial chain</p>	<p>Article 177 EEC</p>
<p>199/87 Jensen v Ministry of Agriculture¹⁰</p>	<p>Validity of the rules on the co-responsibility levy in the light of Articles 12, 13, 30 and/or 40(3) of the EEC Treaty. Retroactive effect of the judgment to be delivered</p> <p>Interpretation of Articles 6(1) and 11(1) of Council Regulation 1078/77, Article 8(4) of Commission Regulation No 1307/77 and Article 9(1) and (4) and Article 12 of Commission Regulation No 1391/78 as amended by Regulation No 1799/79, concerning the recovery of premiums for non-marketing of milk and milk products where the ownership of an agricultural holding has changed as a result of an auction by court order, and the possibility of proportionate recovery of such premiums</p>	<p>Article 177 EEC</p>
<p>201/87 Cargill v Produktschap voor margarine, vetten en olien⁸</p>	<p>Validity of Commission Regulation No 756/85 in the light of the requirements for the exercise by the Commission of the power to suspend advance fixing</p>	<p>Article 177 EEC</p>
<p>210/87 Padovani and Others v Amministrazione delle finanze dello Stato⁸</p>	<p>Can there be held to exist in the Community legal order a legal principle concerning the protection of legitimate expectations of traders with regard to charges governed by Com-</p>	<p>Article 177 EEC</p>

Case	Subject	Basis
217/87 Krohn and Van Es Douane-Agenten v Hoofdpro- duktschap voor Akkerbouwpro- dukten ³	<p>munity law which is applicable notwithstanding the absence of any corresponding principle in the national legal order? If so, can that principle apply for the benefit of importers who, acting in good faith, paid Community agricultural levies at a lower rate than that legally due, in accordance with the rate fixed at that time by the national administrative authorities, which was subsequently held to be incorrect by the Court of Justice?</p> <p>Are the Commission's notices to the defendant of 20 February 1986 and 21 March 1986 concerning applications for import licences for manioc originating in China compatible with Community law, in particular Regulation No 3656/83, the prohibition of discrimination laid down in Article 40(3) of the EEC Treaty and the principle of legal certainty?</p>	Article 177 EEC
233/87 Merkur Außenhandel v Hauptzollamt Hamburg-Jonas	<p>In the event of the grant of monetary compensatory amounts by Germany in respect of compensatory amounts to be granted in the United Kingdom, are the German authorities bound, as regards the weight of the goods on arrival, by the records of the British customs, either where the weights recorded are communicated to the German authorities in the form of a list or where the British authorities amend in the control copies the weight of the goods on arrival originally authenticated, or must the German authorities or courts themselves establish the weight on arrival if they wish to require the repayment of the monetary compensatory amounts granted?</p>	Article 177 EEC
258/87 Italy v Commission ¹²	<p>Annulment of Commission Decision 87/368/EEC on the clearance of the accounts presented by the Member States in respect of the EAGGF Guarantee Section expenditure for 1983, in so far as it disallows expenditure provided for in the Community rules on the common organization of markets in respect of milk products, processed fruit and fishery products</p>	Article 173 EEC
Fisheries		
216/87 R. v Ministry of Agri- culture, Fisheries and Food, <i>ex</i> <i>parte</i> Jaderow and Others ¹³	<p>Compatibility with Community law of requirements imposed by a Member State which must be satisfied in order to obtain a fishing licence (physical presence of vessel, sale of a proportion of the vessel's landings in that Member State)</p>	Article 177 EEC

Case	Subject	Basis
<p>Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters</p> <p>189/87 Kalfelis v Bankhaus Schröder, Munchmeyer, Hengst, and Others</p>	<p>Interpretation of Article 6(1) of the Convention regarding the connection between the actions against the various defendants</p> <p>Must the term 'tort' in Article 5(3) of the Convention be construed independently or according to the <i>lex causae</i>?</p> <p>Does Article 5(3) of the Convention confer accessory jurisdiction even in respect of the claims not based on tort?</p>	
<p>External relations</p>		
<p>205/87 Nuovo Ceam v Commission⁴</p>	<p>Annulment of Commission Regulation No 1043/87 imposing a provisional anti-dumping duty on imports of standardized multiphase electric motors having an output of more than 0.75 kW but not more than 75 kW, originating in Yugoslavia</p>	<p>Article 173 EEC</p>
<p>206/87 Lefebvre frère et sœur v Commission¹⁰</p>	<p>Annulment of the Commission Decision of 8 May 1987 authorizing France to exclude from Community treatment bananas from certain non-member countries in free circulation in the other Member States</p>	<p>Article 173 EEC</p>
<p>208/87 Cakal v Stadt Kassel⁶</p>	<p>Is the German authorities' refusal, solely for the purpose of preventing the immigration of a Turkish national, to extend his residence permit, which was originally intended to enable him to live in Germany with his wife, who held an unlimited residence permit and from whom he is now divorced, compatible with Article 12 of the Association Agreement and Article 36 of the Additional Protocol, where the applicant has hitherto been lawfully resident in Germany, is in permanent employment and holds a work permit which is valid until 1989?</p>	<p>Article 177 EEC</p>
<p>241/87 Maclaine Watson v Council and Commission¹⁴</p>	<p>Application for damages for the loss suffered by the applicant as a result:</p> <ul style="list-style-type: none"> (i) of the signature by the defendant of the sixth International Tin Agreement (ii) of the defendant's participation in the operation and decision-making of the International Tin Council since 1982 (iii) of the defendant's failure to warn firms concerned by ITC operations of the possible dangers inherent in those operations 	<p>Article 215 EEC</p>
<p>247/87 Star Fruit Company v Commission¹⁵</p>	<p>Failure on the part of the Commission to take a decision on a complaint by the applicant concerning restrictions on imports of bananas imposed by France</p>	<p>Article 175 EEC</p>

Case	Subject	Basis
Environment		
228/87 Criminal proceedings against persons unknown ⁴	Interpretation of Article 10(1) of Council Directive 80/778/EEC on the quality of drinking water regarding exemptions granted by the authorities from standards set by the Directive	Article 177 EEC
Administrative questions		
249/87 Mulfinger and Others v Commission ¹⁶	Annulment of the administration's decision to submit to the applicants for signature in November 1986 a standard contract for language teachers referring to Belgian law. The staff should be covered by the Staff Regulations or by the Conditions of Employment of Other Servants	Article 181 EEC
Infringements		
202/87 Commission v Ireland ⁴	Grant of a rebate on excise duty for domestically manufactured table waters	Article 169 EEC
203/87 Commission v Italy ⁴	Improper implementation of Article 2 of the sixth VAT Directive (Council Directive 77/388/EEC)	Article 169 EEC
221/87 Commission v Netherlands ³	Failure to calculate unpaid own resources for the years 1979-83 and failure to make available to the Commission within the time allowed an amount corresponding to the own resources concerned in so far as notaries and sheriffs' officers are not regarded as being taxable persons in respect of VAT on services provided by them	Article 169 EEC
226/87 Commission v Greece ³	Failure to implement Commission Decision 85/276/EEC, adopted pursuant to Article 90(3) of the EEC Treaty, concerning the insurance in Greece of public property and loans granted by Greek State-owned banks	Article 169 EEC
227/87 Commission v France ⁸	Requirement of French nationality as a condition for carrying on, in France, the occupation of surveyor as a self-employed person and failure to bring the legislation in that area into conformity with Community law	Article 169 EEC
229/87 Commission v Greece ²	Tax charged for the checking of prices of goods imported from other Member States of the Community, contrary to Article 29 of the Act of Accession and Article 12 <i>et seq.</i> of the EEC Treaty	Article 169 EEC
239/87 Commission v Italy ¹⁷	Infringement of Article 171 of the EEC Treaty: failure to adopt the measures necessary to comply with the Court's judgment in Case 278/83 <i>Commission v Italy</i> , holding incompatible with Article 95 of the EEC Treaty the application to sparkling wines with a designation of origin which under the legislation of the producing	Article 169 EEC

Case	Subject	Basis
243/87 Commission v Spain ¹⁸	<p>State must be prepared by a method involving natural fermentation in bottles—essentially champagne—of VAT at a rate higher than that applied to comparable domestically produced sparkling wines</p> <p>Approval, publication an application of internal provisions which contain certain national technical measures on the marketing of domestic electrical appliances, computer equipment and television sets and which make their importation and marketing subject to control, approval and certification procedures, and failure to adopt the measures needed to apply Council Directive 73/23/EEC from 1 January 1986</p>	Article 169 EEC
255/87 Commission v UK ¹⁹	Failure to implement Council Directive 82/806/EEC on dangerous substances (benzene in toys)	Article 169 EEC

Disputes between the Community and its staff

v Council:

257/87 — Dimitriadis

v Commission:

- 200/87 — Giordani⁸
- 211/87 — Vicente Núñez⁸
- 220/87 — Santarelli⁸
- 222/87 — Cullington⁸
- 224/87 — Koutchoumoff¹³
- 232/87 — Van der Stijl⁷
- 244/87 — Moritz²⁰
- 248/87 — Mounki

v Parliament:

- 251/87 — Jacques
- 256/87 — Dimitriadis

v Court of Justice:

225/87 — Belardinelli and Others⁸ — Annulment of the decisions of the Selection Board in Internal Competition CJ 80/86 not to admit the applicants to the tests.

¹ OJ C 203, 30.7.1987.
² OJ C 237, 3.9.1987.
³ OJ C 221, 18.8.1987.
⁴ OJ C 227, 25.8.1987.
⁵ OJ C 263, 2.10.1987.
⁶ OJ C 213, 11.8.1987.
⁷ OJ C 231, 29.8.1987.
⁸ OJ C 217, 15.8.1987.
⁹ OJ C 186, 16.7.1987.
¹⁰ OJ C 204, 31.7.1987.
¹¹ OJ C 242, 9.9.1987.
¹² OJ C 275, 14.10.1987.
¹³ OJ C 223, 20.8.1987.
¹⁴ OJ C 262, 1.10.1987.
¹⁵ OJ C 259, 29.9.1987.
¹⁶ OJ C 244, 11.9.1987.
¹⁷ OJ C 239, 5.9.1987.
¹⁸ OJ C 243, 10.9.1987.
¹⁹ OJ C 248, 16.9.1987.
²⁰ OJ C 268, 7.10.1987.

2.4.35. Judgments

Date and Case	Held
ECSC — Steel	
9.7.1987: 100/86 Cauët and Joliot as liquidators of Cockerill-DRC v Commission	Application dismissed (seeking the annulment of the Commission Decision of 10 March 1986 allocating to Sacilor the reference production and reference quantity figures of Cockerill-DRC, and an order to the Commission to act in accordance with Article 34 ECSC)
10.8.1987: 209/87 R EISA v Commission; 214/87 R Cockerill Sambre v Commission; 223/87 Assider v Commission	Application for a suspension of operation dismissed (seeking an interim measure suspending the operation of Commission Decision No 1433/87/ECSC on converting a proportion of the production quotas into quotas for delivery in the common market)
Customs union	
8.7.1987: 26/87 Nicolet Instrument v HZA Frankfurt am Main-Flughafen ¹	Removed from the Court Register (validity of the Commission Decision of 18 October 1985 finding that the apparatus known as 'Nicolet — Data acquisition system, model MED 80' could not be imported free of import duties)
Rights of firms/public works contracts	
9.7.1987: 27, 28 and 29/86 CEI and Bellini v Association intercommunale pour les autoroutes des Ardennes and Others	<p>1. The references enabling a contractor's financial and economic standing to be determined are not exhaustively enumerated in Article 25 of Council Directive 71/305/EEC concerning the coordination of procedures for the award of public works contracts</p> <p>2. A statement of the total value of works awarded to a contractor may be required from tenderers as a reference within the meaning of Article 25 of Directive 71/305/EEC, and neither that Article nor any other provision of the Directive precludes a Member State from laying down the value of the works which may be carried out at one time</p> <p>3. Articles 25, 26(d) and 28 of the Directive must be interpreted as meaning that they do not preclude an awarding authority from requiring a contractor recognized in another Member State to furnish proof that his undertaking has the minimum equity capital, manpower and number of managerial staff required by national law even when the contractor is recognized in the Member State in which he is established in a class equivalent to that required by the national law for a contract of the value in question</p>
Competition	
9.7.1987: 43/85 Ancides v Commission	Application dismissed (seeking annulment of Commission Decision 84/588/EEC relating to a proceeding under Article 85 of the EEC Treaty)

Date and Case	Held
<p>Social policy</p> <p>9.7.1987: 281, 283, 284, 285 and 287/85 Germany and Others v Commission</p>	<ol style="list-style-type: none"> 1. The application brought in Case 284/85 by the Kingdom of the Netherlands is inadmissible as being out of time 2. Commission Decision 85/381/EEC setting up a prior communication and consultation procedure on migration policies in relation to non-member countries is void in so far as the Commission lacked competence: <ol style="list-style-type: none"> (i) to extend, by means of Article 1, the scope of the communication and consultation procedure to cover matters relating to the cultural integration of workers from non-member countries and members of their families, and (ii) to provide, in the second indent of Article 3 that the objective of the consultation is to ensure that the draft national measures and agreements are in conformity with Community policies and actions 3. The remainder of the applications is dismissed
<p>Social security</p> <p>9.7.1987: 377/85 Burchell v Adjudication Officer²</p>	<ol style="list-style-type: none"> 1. The first sentence of Article 10(1)(a) of Regulation No 574/72 applies where family benefits or family allowances are due, in pursuance of Article 73 of Regulation No 1408/71, in respect of a child who, as a member of the family of one of the recipients of such benefits or allowances, is a person covered by the Community legislation on social security for employed persons, without there being any need to ascertain whether the other recipient who is also entitled to such benefits in respect of the same child is also covered by that legislation 2. The first sentence of Article 10(1)(a) of Regulation No 574/72 does not apply where a benefit is due under national law alone and not in pursuance of Article 73 of Regulation No 1408/71
<p>9.7.1987: 82 and 103/86 Laborero and Sabato v Ossom³</p>	<ol style="list-style-type: none"> 1. A person insured under a voluntary insurance scheme such as that provided for in the Belgian Act of 17 July 1963 who, during the period in which he participated in that insurance scheme, pursued an activity as an employed or self-employed person is to be regarded as an 'employed or self-employed person', and the survivor of such a person as the survivor of an employed or self-employed person, for the purposes of Regulation No 1408/71 2. National rules such as those laid down in the Act of 17 July 1963 are covered by Regulation No 1408/71 as legislation of a Member State, even if the benefits for which they provide may

Date and Case	Held
	<p>be based only on periods of activity completed in non-member States, and the provisions of Regulation No 1408/71, in particular Article 3(1), are applicable to employed or self-employed persons who are, or have been, subject to such rules</p>
Free movement of workers	
9.7.1987: 256/86 Frascogna v Caisse des dépôts et consignations	<ol style="list-style-type: none"> 1. Dependent relatives in the ascending line of a migrant worker may rely on the prohibition of discrimination in Article 7(2) of Council Regulation No 1612/68 2. The grant of a special old-age allowance constitutes a social advantage within the meaning of Council Regulation No 1612/68
Agriculture	
1.7.1987: 216/86 Antonini v Prefetto di Milano	<p>Council Regulations No 121/67 and No 805/68 on the common organization of the markets in pigmeat and beef and veal, respectively, must be interpreted as prohibiting Member States from adopting, and continuing to apply, a national system for blocking, at the wholesale stage, the prices of products covered by the common organization of the markets set up by those two Regulations. The fact that the national system in question is applicable for a limited time only, or that it contains a revision clause designed to align the blocked prices on those fixed pursuant to the Community regulations, is irrelevant</p>
2.7.1987: 94/86 Maizena and Others v HZA Hamburg-Jonas ⁴	<p>To calculate the rate of export refund on sorbitol classified under CCT subheadings 29.04 C and 38.18 T and manufactured in the customs area between August and September of 1980 from maize classified under tariff subheading 10.05 B and then exported to non-member countries, the rate of production refund applicable in the month of exportation had to be taken into account, even if the rate of export refund had been fixed in advance at the rate applicable on 30 July 1980</p>
2.7.1987: 188/86 Ministère public v Lefèvre	<p>National rules regulating the retail prices of beef and veal requiring retailers not to sell their products to consumers at a price exceeding the average purchase price plus a fixed gross profit and flat-rate transport costs:</p> <ol style="list-style-type: none"> (i) constitute measures having an effect equivalent to a quantitative restriction contrary to Article 30 of the EEC Treaty and to Article 22 of Council Regulation No 805/68 on the common organization of the market in beef and veal when the fixed margin and the flat-rate transport costs do not take sufficient account of the importation costs actually incurred by retailers;

Date and Case	Held
	(ii) are incompatible with Council Regulation No 805/68 when the transport costs are set at a fixed rate which is insufficient to cover the supply costs actually incurred by retailers on the national market and which consequently affect the distribution network for beef and veal in certain regions
7.7.1987: 89 and 91/86 l'Étoile commerciale and CNTA v Commission ⁶	Applications dismissed as inadmissible (seeking annulment of Commission Decision 85/456/EEC (clearance of EAGGF accounts for France, 1981) as regards the disallowance of expenditure provided for in the Community rules in respect of oilseeds, and application for damages)
9.7.1987: 182/85 Alfons Lütticke v Denkvit Futtermittel	<p>1. The provisions of Regulations No 804/68, No 625/78 and No 1725/79 must be interpreted as meaning that skimmed-milk powder which meets the conditions as to composition and quality that are required for intervention must be regarded as eligible for aid</p> <p>2. If the application of the method of analysis described in Annex IV to Regulation No 625/78 reveals, having regard to the tolerance margin laid down therein, that no whey is present in skimmed-milk powder, that does not mean that the skimmed-milk powder which has been analysed must also be regarded as free of whey for the purposes of the grant of aid under Regulation No 1725/79, if it is not identical, in terms of composition and quality, to skimmed-milk powder eligible for intervention.</p> <p>3. The fact that the method of analysis described in Annex IV to Regulation No 625/78 is inapplicable to skimmed-milk powder which is not identical, in terms of composition and quality, to skimmed-milk powder eligible for intervention is not contrary to the principle of proportionality</p>
External relations	
1.7.1987: 297/85 Towa Sankiden v Commission	Removed from the Court Register (seeking annulment of Council Regulation No 1698/85 imposing a definitive anti-dumping duty)
8.7.1987: 279/86 Sermes v Commission ⁷	Application dismissed as inadmissible (seeking annulment of Commission Regulation No 3019/86 imposing a provisional anti-dumping duty)
8.7.1987: 295/86 Garely v Commission ⁷	Application dismissed as inadmissible (seeking annulment of Commission Regulation No 2800/86 imposing a provisional anti-dumping duty)
8.7.1987: 301/86 Frimodt Pedersen v Commission ⁷	Application dismissed as inadmissible (seeking annulment of Commission Regulation No 3019/86 imposing a provisional anti-dumping duty)

Date and Case	Held
Budget	
8.7.1987: 221/86 Group of the European Right and National Front Party v European Parliament ¹	Removed from the Court Register (seeking annulment of the decision of the enlarged Bureau of the European Parliament dated 10 July 1986 concerning the basis for allocating the appropriations under Item 3708 of the budget of the European Parliament for 1986 relating to publicity measures in Spain and Portugal)
Infringements	
7.7.1987: 420/85 Commission v Italy ⁴	By failing to provide, within the period prescribed by Council Directive 82/603/EEC amending Directive 75/130/EEC on the establishment of common rules for certain types of combined road/rail carriage of goods between Member States, for the reduction or reimbursement of taxes imposed in respect of tractor units used in combined road and rail transport where not only the trailer but also the tractor unit itself is loaded into the train, Italy has failed to fulfil its obligations under the EEC Treaty
7.7.1987: 49/86 Commission v Italy ⁶	By failing to adopt within the prescribed period the provisions necessary to comply with Council Directive 82/76/EEC, Italy has failed to fulfil its obligations under the EEC Treaty
8.7.1987: 247/85 Commission v Belgium ⁶	By failing to adopt within the prescribed period all the laws, regulations and administrative provisions needed to comply with Council Directive 74/409/EEC on the conservation of wild birds, Belgium has failed to fulfil its obligations under the EEC Treaty
8.7.1987: 262/85 Commission v Italy ⁶	By failing to adopt within the prescribed period all the laws, regulations and administrative provisions needed to comply with Council Directive 79/409/EEC on the conservation of wild birds, Italy has failed to fulfil its obligations under the EEC Treaty
9.7.1987: 356/85 Commission v Belgium	Application dismissed (failure to fulfil obligations under Article 95 of the EEC Treaty, by applying a higher rate of VAT to wines made from fresh grapes, which are imported, than to beer, which is produced in Belgium)
8.7.1987: 430/85 Commission v Netherlands	Removed from the Court Register (failure to implement Council Directive 79/267/EEC on the taking up and pursuit of the business of direct life assurance)

Disputes between the Community and its staff

v. Council:

9.7.1987: 279/85 Misset³ — Application dismissed

v Commission:

2.7.1987: 323/81 Amesz and Others — Removed from the Court Register (weighting applicable in Ispra)

2.7.1987: 122/85 Totaro⁶ — Removed from the Court Register

9.7.1987: 44, 77, 294 and 295/85 Hochbaum and Rawes

1. The decisions of the Commission of 30 May 1984, appointing Mr Waterschoot to the post of Head of the State Monopolies and Public Undertakings Division in the Directorate-General for Competition, and of 30 January 1985, confirming that appointment, are annulled

2. The decisions of the Commission rejecting the applicants' applications for that post are also annulled

9.7.1987: 329/85 Castagnoli³ — Application dismissed as inadmissible

v Court of Auditors:

10.7.1987: 193/87 R Maurissen⁷ — Application for the adoption of interim measures dismissed

¹ OJ C 210, 7.8.1987.

² OJ C 213, 11.8.1987.

³ OJ C 207, 4.8.1987.

⁴ OJ C 200, 28.7.1987.

⁵ OJ C 203, 30.7.1987.

⁶ OJ C 204, 31.7.1987.

⁷ OJ C 209, 6.8.1987

Court of Auditors

2.4.36. On 15 July the Court of Auditors adopted a special report on the management and operation of the system of tobacco premiums.

The report states that the system of premiums has been applied without adequate account being taken of international market conditions or the Community's declared objective of encouraging cultivation of the varieties of tobacco for which there is consumer demand. The areas devoted to the cultivation of 'problem' varieties and production actually grew between 1981 and 1985. A large proportion of the 800 million ECU per year spent on tobacco (excluding Spain and Portugal) is still being paid in respect of varieties for which demand is weak or non-existent, and the Court comes to the conclusion that it is high time for a thorough reappraisal of policy on the tobacco sector.

During a meeting with the Court, the Commission made the following points: a system of premiums for purchasers of leaf tobacco had to be introduced to provide an income guarantee for Community producers. In

order to respond to changing demand and discourage the production of less-marketable varieties, the Community applies a system of price differentiation and premiums by variety. The Commission feels that the common organization of the tobacco market has achieved its objectives by encouraging production to develop in the direction required by the international market and helping reduce intervention buying to less than 3% of production.

2.4.37. On the same date the Court of Auditors also adopted a special report on the management and operation of the system of quotas and supplementary levies in the milk sector. The report shows that, although the system of quotas and levies curbed increases in production to begin with, its original conception had certain shortcomings and it has been gradually undermined by the amendments adopted by the Council during the first two years of its operation. Specifically, the overall level of quotas set in 1984¹ has led to production exceeding consumption by over 5% and the

¹ OJ L 90, 1.4.1984; Bull. EC 3-1984, point 1.2.4; OJ L 103, 16.4.1984; OJ L 107, 19.4.1984; OJ L 113, 28.4.1984.

provisions allowing the unfilled quotas to be used to offset surplus production have appreciably blunted the deterrent effect of levies on overproduction by dairy farmers.

As a result, the system has had no significant effect on the problem of milk surpluses over the first three years of its operation. The yield from the levy has also been well below the cost of disposing of persistent surpluses. The Court's report highlights the legal and structural defects of the scheme, which — rather than the failure of Member States to comply with Community rules — are the real reason why the objectives have not been achieved. Some flagrant examples of incorrect application of the rules are, however, quoted: the allocation of surplus quotas by France, Germany, Belgium and Denmark, the introduction by France and Denmark of provisions to elude the levies for which producers are liable and the total failure to implement the scheme in Italy. The Court also finds that the Commission has not been sufficiently active in supervising implementation of the scheme by the Member States.

It accepts that considerable changes have been made to the scheme with effect from 1 April 1987,¹ but it remains to be seen whether these will be sufficient to overcome the problem of structural surpluses in the milk sector.

During a meeting with the Court the Commission made the following points. If the system of quotas and levies or something similar had not been introduced deliveries of milk would have been considerably greater than they are at present: between 1985 and 1987 they have been 4% below the 1983-84 level. The Commission agrees that, although application of the B formula and the possibility of offsetting quotas are justified at the beginning, they have severely restricted the deterrent effect of the levy. Accordingly, in September and November 1986 it proposed that these provisions be removed.² Although the Council did not accept the Commission's proposal, it did adopt measures designed considerably to reduce the quantities of milk produced

within the quotas and to impose tougher penalties on non-quota deliveries.¹ The Commission is indeed aware of shortcomings in the application of the system in the Member States and it has begun infringement proceedings in the most serious cases. It has acted rapidly when application of the system by the Member States has jeopardized the aim of containing milk production or has had financial consequences as a result of the failure to collect or recover levies due.

Economic and Social Committee

247th plenary session

2.4.38. The Economic and Social Committee held its 247th plenary session in Brussels on 1 and 2 July with Mr Margot in the chair.³ It was attended by Mr Alois Pfeiffer, the Member of the Commission with special responsibility for economic affairs, who addressed the meeting during the debate on the economic and social situation. The Committee delivered four own-initiative opinions (on the mid-1987 economic situation, disadvantaged island regions, the impact of economic and political developments in the United States and the effects of the Chernobyl accident) and adopted all the other opinions on its agenda.⁴

The mid-1987 economic situation

2.4.39. By a substantial majority, with 11 votes against and 9 abstentions the Committee adopted an own-initiative opinion on the economic situation in mid-1987.

The debate was opened by Mr Pfeiffer, who, having noted that the Commission had just adopted a communication on the economic outlook for 1988, which would be sent to

¹ Bull. EC 12-1986, point 1.2.1 *et seq.* and 2.1.211 to 2.1.214.

² OJ C 254, 11.10.1986; Bull. EC 9-1986, points 2.1.103 to 2.1.109; Bull. EC 11-1986, point 2.1.170.

³ Previous meeting: Bull. EC 5-1987, point 2.4.24 *et seq.*

⁴ OJ C 232, 31.8.1987.

the Committee, endorsed the main thrust of the report. He drew particular attention to a number of important points: economic growth, unemployment, consumer prices and inflation, observing that economic growth offered the prospect of more jobs, especially in small businesses, provided that full advantage could be taken of the large internal market and firms could become more competitive.

In its opinion the Committee recognized that 1987 would not be as good as had been hoped and that inflation would be higher and growth lower, mainly as a result of international factors which internal Community action could not redress.

Turning to monetary and commercial matters, the Committee hoped for the strengthening of the EMS and its extension to include the currencies of the Member States which had not so far joined and greater use of the ECU. It considered the search for internal solutions to the problem of Community growth to be of prime importance. On the socio-economic front the Committee proposed reducing real interest rates, encouraging investment and stimulating consumption by reducing taxation. It stressed the need for the fruits of higher productivity to be shared between workers and firms.

Broadcasting

2.4.40. By 102 votes to 5 with 26 abstentions, the Committee adopted an opinion on the proposal for a Council Directive on the coordination of certain provisions laid down by law, regulation or administrative action in the Member States concerning the pursuit of broadcasting activities.¹ The Committee asked the Commission to examine how the European cultural identity would be strengthened while respecting minorities, particularly with regard to broadcasting, and whether there should be a European broadcasting body. It felt that the broadcasting of European television programmes should be encouraged and advocated a restriction of advertising time under Community legislation to 10%.

Harmonization of legislation on type-approval of motor vehicles

2.4.41. The Committee adopted unanimously two opinions on the proposals² for amendment of the Council Directive of 6 February 1970 on the approximation of the laws of the Member States relating to type-approval of motor vehicles and their trailers.³

The Committee approved the Commission's suggestions in the first proposal⁴ that the documentation exchanged between national type-approval authorities should be reduced, provided certain points were included. It reiterated its demand for full Community type-approval to be introduced as soon as possible and stressed that type-approval should not cause distortions of competition on the Community market. It found unacceptable a procedure for adapting the directives to technical progress which would reduce the Committee on Adaptation to Technical Progress to a purely advisory role. The Committee approved the Commission's second proposal concerning the introduction of a Community definition of 'off-road' vehicles.⁵

Harmonization of legislation on fluid fertilizers

2.4.42. The Committee approved unanimously the proposal for amendment⁶ of the Council Directive of 18 December 1975 on the approximation of the laws of the Member States relating to fertilizers.⁷

¹ Supplement 5/86 — Bull. EC; Bull. EC 3-1986, points 1.2.1 to 1.2.5.

² OJ C 48, 25.2.1987; Bull. EC 2-1987, point 2.1.9; OJ C 108, 23.4.1987; Bull. EC 4-1987, point 2.1.8. The Council adopted the Directives on 25 June: Bull. EC 6-1987, point 2.1.12.

³ OJ L 42, 23.1.1970.

⁴ OJ C 48, 25.2.1987; Bull. EC 2-1987, point 2.1.9.

⁵ OJ C 108, 23.4.1987; Bull. EC 4-1987, point 2.1.8.

⁶ OJ C 12, 16.1.1987; Bull. EC 12-1986, point 2.1.23.

⁷ OJ L 24, 30.1.1976.

Action programme for small businesses

2.4.43. The Committee unanimously approved the action programme for small businesses¹ but made a number of general and specific comments on the overall strategy for small businesses as affected by all Community policies.

It first stressed the need for the Commission to reach a uniform definition of a small business both in individual industries and in the various Member States. The Committee also wished the Commission to ensure that action to help small businesses was general, did not discriminate between manufacturing, trading and service firms and was not detrimental to large firms, whose development could help small businesses, especially if cooperation were encouraged. It hoped that the Community budget would provide substantial funds for the measures in the programme and that both the staff and scope of the Commission department concerned could be enlarged. It asked the Commission to prepare a time-table for implementation of the measures and to set up a system to monitor them and recommended that the Commission remain in permanent contact with the bodies representing small businesses.

The Committee also undertook a detailed analysis of the Commission's document and made comments on each point. It saw a need to simplify and reduce the administrative burden on small businesses provided that social rights were safeguarded and asked the Commission to use its powers to combat protectionist attitudes in the Member States, which are harmful to small businesses. It also proposed consideration of ways of improving tax systems to encourage small businesses (particularly with reference to investment, research and transfer of ownership), measures to promote the training of managers and workers in small firms and specific financial aid (a line of finance to cover interest-rate differentials and the setting up of reciprocal guarantee companies at Community level).

Pan-European digital mobile public communications

2.4.44. The Committee unanimously adopted an opinion endorsing the Commission proposals for a Council recommendation on the coordinated introduction of public pan-European digital mobile communications in the Community² and for a Council Directive on the frequency bands to be made available for this.³ The Committee wondered, however, whether a directive might not be more appropriate than a recommendation and considered that the Community financing of the investment required for implementation of the new service should be given special emphasis.

Tariff and statistical nomenclature

2.4.45. The Committee approved unanimously the proposal for a Council Regulation on the tariff and statistical nomenclature and the Common Customs Tariff,⁴ which it considered should be adopted as soon as possible (→ point 2.1.80).

Social developments in the Community in 1986

2.4.46. The Committee adopted by 92 votes to 14 with 21 abstentions an own-initiative opinion on social developments in the Community in 1986.

It noted that in general the economic indicators had improved but the increase in unemployment meant that the social situation still gave cause for concern. It advocated far-reaching action by the Community and the Member States in close cooperation with the two sides of industry. It regretted

¹ OJ C 287, 14.11.1986; Bull. EC 7/8-1986, point 1.3.1 *et seq.* The Council adopted a resolution on this proposal on 3 November 1986: Bull. EC 10-1986, point 1.3.1 *et seq.*

² OJ C 69, 17.3.1987; Bull. EC 2-1987, point 2.1.38. The Council adopted the proposals on 25 June: OJ L 196, 17.7.1987; Bull. EC 6-1987, point 2.1.53.

³ OJ C 69, 17.3.1987; Bull. EC 2-1987, point 2.1.38.

⁴ OJ C 154, 12.6.1987; Bull. EC 5-1987, point 2.1.58.

that action was taken too slowly and did not measure up to the original ambitions.

It considered that the social dialogue should yield tangible results which could be extended by concrete contractual measures, mainly in the priority areas of the level and quality of jobs, working conditions and the vocational situation of employed persons. It urged the Commission and the Council to use the scope offered by the Single European Act¹ to reach decisions on proposals and introduce the Community instruments required to attain the goals which had been set, with particular regard to the improvement of working conditions and the health and safety of workers.

The Committee saw a need for specific employment measures, particularly to assist young people and the long-term unemployed, but at the same time wished to see unusual forms of employment made subject to appropriate contractual provisions and guarantees. It also asked the Council to adopt the directives on part-time and temporary work² as soon as possible so as to combat clandestine work and encourage the reduction and reordering of working time.

The Committee also advocated innovative solutions involving broad multi-faceted training and education to develop a critical spirit and a sense of initiative. It demanded an end to the erosion of social benefits and asked the Commission to be unremitting in its attempts to bring welfare systems closer together.

Disadvantaged island regions

2.4.47. Following a short debate, the Committee unanimously adopted an own-initiative opinion on disadvantaged island regions. The problems mentioned in the opinion included difficulties concerning access and transport facilities, water and energy supplies, housing and social infrastructure. The Committee considered that more should be done through the coordination of regional policy and structural Fund instruments and also stressed the

advantages of an integrated Community approach.

Community action on the environment

2.4.48. The Committee unanimously adopted a favourable opinion on the proposal³ for a Regulation extending and broadening the scope of the Regulation of 28 June 1984.⁴

The Committee welcomed the proposal by the Commission to extend the Regulation, backed by a report on action already taken. It considered the funds allocated for Community action on the environment insufficient and urged that future financial support should be for an unlimited period.

Protection of the aquatic environment

2.4.49. The Committee unanimously adopted an opinion on the proposal for Council Directives concerning limit values for discharges of aldrin, dieldrin and endrin into the aquatic environment and quality objectives for aldrin, dieldrin and endrin in the aquatic environment.⁵ The opinion included certain reservations, arguing that the scope of application of the proposal was too limited and regretting that isodrin was mentioned in neither the body of the directives nor the annexes.

It urged the Commission to propose a directive to ban products treated with the substances in question and called for still closer cooperation between the Member States.

Chemicals

Trade in dangerous chemicals

2.4.50. The Committee unanimously approved a proposal for a Council Regu-

¹ Supplement 2/86 — Bull. EC.

² OJ C 62, 12.3.1982; Bull. EC 12-1981, point 2.1.55; OJ C 18, 22.1.1983; Bull. EC 12-1982, point 2.1.56; OJ C 128, 19.5.1982; Bull. EC 4-1982, point 2.1.28; OJ C 133, 21.5.1984, Bull. EC 12-1984, point 2.1.59.

³ OJ C 18, 24.1.1987; Bull. EC 12-1986, point 2.1.181.

⁴ OJ L 176, 3.7.1984.

⁵ OJ C 146, 12.6.1979; OJ C 341, 31.12.1980; OJ C 309, 3.12.1986; Bull. EC 10-1986, point 2.1.118.

lation concerning export from and import into the Community of certain dangerous chemicals.¹ The Committee considered that the Community harmonization measures would contribute to the completion of the internal market.

Good laboratory practice

2.4.51. The Committee unanimously approved the proposal for a Council Directive on good laboratory practice.² It reiterated the point of view which it had expressed in its previous opinion³ and welcomed the harmonization introduced by this measure.

Toy safety

2.4.52. The Committee unanimously adopted an opinion on the proposal for a Council Directive on the approximation of the laws of the Member States concerning the safety of toys.⁴

While welcoming the proposal, the Committee regretted the delay in presenting it. It regarded the proposal as a substantial contribution to the wider-ranging draft directive (to be presented shortly) on the general obligation to produce and market safe products.⁵

The Committee had reservations on the measures now proposed, which implied a dual safety level, and considered that they would not be effective unless clarified.

It noted that the proposal appeared to concentrate mainly on toys manufactured in Europe and drew attention to the greater problems involved in authorizing, controlling and monitoring the vast number of imported toys.

Wine

2.4.53. The Committee unanimously approved two proposals for Council Regulations on the preparation and marketing of liqueur wines produced in the Community and amending the Regulation on the common organization of the market in

wine.⁶ However, it expressed a number of technical reservations.

Veterinary and animal husbandry legislation

2.4.54. The Committee adopted unanimously a favourable opinion on the proposal for a Council Directive on health problems affecting the production and placing on the market of egg products.⁷

The Committee endorsed the purpose of the proposal — to harmonize national legal provisions and ensure that in future egg products would be produced under equal conditions throughout the Community with the consequential removal of existing health barriers to trade.

Road transport

2.4.55. *Nem. Con.* with one abstention, the Committee gave limited approval to the proposal for a Council Regulation on access to the market for the carriage of goods by road between Member States.⁸

The Committee supported the principle of a gradual liberalization of road haulage, emphasizing that it must form part of a broad detailed approach which would take account of the interests of existing firms and workers, the needs of efficient operation, transport infrastructure and respect for higher interests such as environmental protection, energy saving and road safety. It also stressed that its support for any liberalization in this field was subject to a concomitant harmonization of conditions of competition (taxation of vehicles and fuel, social security of workers, compulsory insurance of vehicles and goods, taxation and tools for the use of infrastructure). It

¹ OJ C 177, 15.7.1986; Bull. EC 7/8-1986, point 2.1.136.

² OJ C 13, 17.1.1987; Bull. EC 12-1986, point 2.1.195.

³ OJ C 354, 31.12.1985; Bull. EC 12-1985, point 2.5.25.

⁴ OJ C 282, 8.11.1986; Bull. EC 10-1986, point 2.1.128.

⁵ OJ C 176, 4.7.1987; Bull. EC 6-1987, point 2.1.140.

⁶ OJ C 87, 2.4.1987; Bull. EC 3-1987, point 2.1.170.

⁷ OJ C 67, 14.3.1986; Bull. EC 2-1987, point 2.1.136.

⁸ OJ C 65, 12.3.1987; Bull. EC 11-1986, point 2.1.228.

also stated that in this case its approval was subject to the inclusion of provisions to guarantee the rights of existing firms and take account of problems relating to transit through non-member countries (Switzerland, Austria and Yugoslavia in particular).

The Committee also attacked the inclusion of a safeguard mechanism which, in its view, would be unnecessary if conditions of competition were harmonized.

2.4.56. The Committee unanimously adopted an opinion on the Commission's communication to the Council on the elimination of distortions of competition of a fiscal nature in the transport of goods by road: study of vehicle taxes, fuel taxes and road tools.¹ It made a number of useful and constructive suggestions to the Commission concerning the drafting of detailed proposals.

2.4.57. The Committee unanimously adopted an opinion endorsing the proposal for a Council recommendation with regard to joint action on accepting the consolidated resolution on the facilitation of road transport adopted by the United Nations Economic Commission for Europe.² It stressed that joint action was required by the nature of the subjects dealt with in the resolution, which were either the exclusive responsibility of the Community or of importance to the common market. While drawing attention to the non-binding nature of the legal act contemplated, the Committee was concerned that the Council had delayed so long in adopting it.

Nuclear safety: basic standards

2.4.58. By 45 votes to 22 with 9 abstentions, the Committee adopted an opinion on the proposal for a Regulation concerning maximum permitted radioactivity levels for agricultural products and drinking water.³ The opinion followed the remarks and suggestions in the opinion adopted in May⁴ on a incomplete draft, since it was not until

that month that the Commission proposed the maximum levels of radioactivity.⁵

In its opinion the Committee found the recommendations of the working party of experts, which the Commission had in general accepted, to be reasonable, but it asked the Commission to provide consumers with greater information on levels of contamination in foodstuffs.

Consequences of the nuclear accident at Chernobyl

2.4.59. By 116 votes to 7 with 10 abstentions, the Committee adopted an own-initiative opinion on the consequences of the Chernobyl accident.

In its conclusions, the Committee considered that the Community should take a harder look at nuclear safety and draw the appropriate conclusions. It asked the Commission to continue using its powers to make recommendations on limit values for radioactivity. It also asked the Member States to provide a legal basis for fixing limit values and to bring these into line with existing legal bases, having regard to the Commission's proposals.⁶ It also wished monitoring of the existing system of providing nuclear energy and the design of complementary and alternative sources to go on at the same time.

Multilateral trade negotiations

2.4.60. The Committee adopted unanimously an own-initiative opinion on the impact of current US economic and political developments on the Uruguay Round and international trade.

The Committee was concerned about the growing tide of protectionism in the United

¹ Bull. EC 12-1986, point 2.1.298.

² Bull. EC 10-1984, point 2.1.124.

³ Bull. EC 1-1987, point 2.1.127.

⁴ Bull. EC 5-1987, point 2.4.39.

⁵ OJ C 174, 2.7.1987; Bull. EC 5-1987, point 2.1.208.

⁶ Bull. EC 1-1987, point 2.1.127; OJ C 160, 18.6.1987; Bull. EC 4-1987, point 2.1.148; OJ C 174, 2.7.1987; Bull. EC 5-1987, point 2.1.208.

States and observed that certain bills contravened GATT provisions. If enacted, they would make the Uruguay Round negotiations pointless. The Committee therefore asked the Commission and the Council firmly to oppose measures which any country, including the United States, might adopt outside the GATT framework which would affect Community exports and therefore the level of employment in the Member States. The Community should adopt unequivocal positions on these points now and should also suggest to the United States general and open clarifications so that they could seek together a way of constructing a new international economic balance based on honest solidarity and reciprocity.

The Committee stressed the Community's responsibility for the problems of the American economy in that it had too long adopted a passive attitude to the international economic order.

European Investment Bank ¹

Operations in July and August

2.4.61. Loans totalling 1 256.8 million ECU² were announced by the European Investment Bank in July and August for investments within the Community — 422.3 million in Italy, 259.2 million in Portugal, 220.9 million in France, 151.9 million in Spain, 99.2 million in Denmark, 71 million in the United Kingdom and 32.3 million in Germany. Of this total, 89.1 million ECU came from the resources of the new Community borrowing and lending instrument (NCI).³ Outside the Community the Bank lent 64.5 million ECU to eight ACP States under the third Lomé Convention.

Community

Italy

2.4.62. Loans in Italy totalled LIT 623 800 million and will be used to finance a wide range of industrial, infrastructure and energy investment.

A total of LIT 232 300 million was granted in the industrial sector — LIT 50 000 million to Pirelli Pneumatici SpA for the construction of a highly automated car tyre factory at Bollate, Lombardy; LIT 45 000 million to Italtel SIT for the development of advanced electronic telecommunications equipment in its Milan production centre; and Lit 15 000 million to Ausimont SpA for the establishment of new high-performance fluorochemical production capacity at a plant in the province of Alessandria, Piedmont. These three projects are consonant with the Community's objectives of promoting the use of advanced technology to stimulate the productivity of European firms.

In addition, a LIT 20 000 million loan to Raffineria di Roma SpA will be used for modifications to a refinery in Lazio leading to energy savings and increased pollution control.

Finally, LIT 102 300 million has been advanced, in the form of global loans, to Istituto per lo Sviluppo Economico dell'Italia Meridionale (Isveimer) and Istituto Mobiliare Italiano (IMI) for onlending in support of small and medium-scale industrial investment.

Regional development and environmental protection attracted loans totalling LIT 201 500 million for infrastructures — LIT 65 000 million to Tirrenia di Navigazione SpA for the upgrading of six ferry boats operating on routes serving the Mezzogiorno and LIT 75 000 million for the construction of the Rome by-pass connecting the A1 and A2 motorways. LIT 10 000 million is for the construction, at Verona, of an intermodal (rail/road) freight terminal and associated infrastructure and services.

¹ Further information can be obtained from the European Investment Bank, 100 boulevard Konrad Adenauer, L-2950 Luxembourg (tel. 4379-1).

² The conversion rates at 30 June used by the EIB in statistics for the third quarter were 1 ECU = BFR 43.01, DKR 7.86, DM 2.07, DR 155.61, ESC 162.497, FF 6.92, HFL 2.33, IRL 0.77, LFR 43.01, LIT 1 502, PTA 143.637, UKL 0.704, USD 1.13.

³ OJ L 298, 20.10.1978.

Six loans are for projects implemented by local authorities under FIO (Fondo Investimenti e Occupazione): LIT 12 000 million for hydraulic engineering works in the Val d'Aosta to protect against flooding of the Dora Baltea river; LIT 9 000 million for sewage collection and treatment works to reduce pollution in the River Po; LIT 8 000 million for completion of a dock to receive container and ro-ro vessels in the port of La Spezia in Liguria; LIT 7 500 million for irrigation works in the Tarquinia Plain, Lazio; LIT 5 000 million for erosion control in the province of Isernia, Molise, and LIT 5 000 million to improve the quality of drinking water in the provinces of Novara and Alessandria, Piedmont.

As part of the effort to preserve the Community's architectural heritage, LIT 5 000 million goes to the Municipality of Venice to help finance restoration of the Doges' Palace.

Finally, a total of LIT 190 000 million is for investments in the energy sector — LIT 80 000 million to develop the Nilde oilfield in the Sicilian Channel, LIT 35 000 million for the construction and extension of natural gas grids in Lombardy, Veneto and Piedmont, LIT 60 000 million in the form of global loans to the Banca Nazionale de Lavoro (BNL) and LIT 15 000 million to San Paolo di Torino for the financing of small and medium-scale energy and environmental protection projects.

Portugal

2.4.63. The Bank granted around ESC 42 000 million to Portugal. The funds are earmarked for developing the Neves Corvo copper mine in Alentejo (ESC 29 200 million), upgrading the national road network on the mainland (ESC 6 500 million) and on Madeira (ESC 2 000 million), constructing a bridge over the Guadiana River between Algarve and Spain (ESC 500 million) and financing productive ventures mounted by smaller firms (ESC 4 000 million in the form of two global loans to Banco Português de Investimento (BPI)).

A loan of ESC 29 200 million has been granted to Sociedade Mineira de Neves Corvo (Somincor) for developing a new copper mine and constructing an ore treatment plant in Alentejo. The funds will go towards financing the development and commissioning of an underground mine containing recoverable reserves of around 25 million tonnes of ore with an average copper content of 8%. The deposits, discovered in 1977 in the Portuguese area of the Iberian Pyrite Belt, are probably among the largest in the world with such rich copper ore. Production is expected to reach 1.3 million tonnes of ore a year, while the treatment plant (capacity: 165 tonnes an hour) will yield between 250 000 and 470 000 tonnes a year of concentrates with an average copper content of 25%. This project should create more than 600 full-time jobs and provide major spin-offs for Portuguese firms in one of the poorest areas of the Community. It will exploit a resource of importance to the Portuguese economy and should lead to average gross revenue of around USD 70 million a year, thus helping to improve the balance of payments. Strict measures have been taken to treat effluent, reduce noise and dust emissions and supply water to the surrounding area.

A loan of ESC 6 500 million will help finance various road improvement schemes throughout the country in accordance with the priorities spelt out in the 1985 national road plan. The works will centre either on the upgrading of carriageways or on the construction of new sections of road with a view to improving or realigning existing arteries. These schemes should improve road traffic conditions of vital importance for the Portuguese economy, which is expected to double by the year 2000. The routes to be financed will be chosen in agreement with the EIB. The European Regional Development Fund will also be assisting these schemes.

ESC 1 900 million went to Madeira to improve the road linking Santa Catarina airport to the capital, where most of the economic activity is concentrated, and to build a western exit road at Funchal to link

the town to the port and divert traffic from the island's main tourist area. The project involves the construction of two viaducts at Boaventure and Porto Novo. It should also receive Regional Fund subsidies.

ESC 500 million will go towards the construction of a road bridge between Algarve and Andalucia, close to the mouth of the Guadiana River, to replace a ferry connection which has a limited capacity and is a source of long delays. This bridge will have two carriageways 666 metres long and will divert traffic from Vila Real and from Ayamonte in Spain to a new bypass, improving traffic conditions and the environment in these two towns. The only bridge currently in service lies 100 km upstream. The new bridge will help improve traffic between two Member States and stimulate economic activities and tourism in two of the Community's poorer regions. The Regional Fund is also helping to finance the project.

Finally, two global loans have been concluded with Banco Português de Investimento (BPI), one for ESC 2 400 million from EIB own resources and the other for ESC 1 600 million from the resources of the New Community Instrument (NCI IV). BPI will onlend the funds to support productive investment by smaller enterprises operating in the industrial and related service sectors as well as schemes promoting energy savings. The global loan from EIB own resources may also be used to finance tourism ventures. In accordance with the provisions governing NCI IV and a parallel decision of the EIB's Board of Governors, the proceeds of the two operations may also be used to acquire equity holdings in smaller firms.

France

2.4.64. In France the EIB lent over FF 1 500 million for various infrastructure projects and advanced industrial technologies.

FF 140 million is for a major water treatment project in the Marseilles area. The funds will be used for the construction of a

plant to treat waste water generated by the city and seven surrounding municipalities. The works, which should become fully operational in early 1989, embrace construction of 5 km of sewers, two pumping stations, a physiochemical waste water treatment plant with a capacity of 360 000 cubic metres a day and a sludge treatment plant.

This project satisfies the objectives of improving the quality of water and protecting the marine environment in the Mediterranean.

FF 8 million went towards construction of the A46 motorway which will serve to bypass the Lyons conurbation to the east, linking up the A6 motorway to Dijon and Paris with the A42 to Geneva, the A43 to the Alps and the A7 to the South of France. The A46 will remove a major bottleneck, divert through traffic travelling to other Member States, particularly Spain, ease the flow of suburban traffic currently using the heavily congested Fourvière tunnel and upgrade communications with numerous regions, notably Auvergne, qualifying for regional development aid.

FF 259.4 million to the region of Lorraine is for upgrading the road and motorway networks, thereby giving the regional economy a new lease of life and helping to establish fresh activities. The funds are earmarked for constructing urban bypasses on the RN4 (Paris-Nancy-Strasbourg) and the RN59 and RN66 (textile mill country in the Vosges), completing the A31 motorway at Thionville and building the Longwy bypass, i.e. a total of 72.4 km of new road with three viaducts (2 at Longwy and 1 at Thionville). The European Regional Development Fund (ERDF) is cofinancing certain of these road links.

FF 208.35 million helped finance road modernization schemes designed to promote trade and tourist traffic, firstly, between northern Brittany (Roscoff, St-Brieuc and St-Malo) and southern Brittany (Quimper, Lorient and Vannes) and, secondly, between these peripheral areas and the remainder of the country (Rennes-

Nantes and St-Malo-Fougères-A11 motorway links) under the Brittany regional road plan. Certain of the works financed will help to open up inland areas currently hampered by poor communications (in particular Pontivy and Loudéac) or provide better access to the ports of Roscoff, St-Malo, Douarnenez and the 'bigouden' ports.

FF 150 million went towards the construction of the Toulouse East Bypass providing a continuous motorway link between the A62 (Toulouse-Bordeaux) and A61 (Toulouse-Narbonne) motorways, which form the main artery between the Atlantic and Mediterranean coasts. The bypass (14 km of three-lane dual carriageway with eight interchanges), offering direct benefits for south-western France, will enhance communications between Toulouse and both the local airport and the economic centres of Castres-Mazamet and Albi-Carmaux.

Finally, the Bank granted three global loans totalling FF 750 million for smaller items of infrastructure in Aquitaine, Languedoc-Roussillon and Midi-Pyrénées. Each of these global loans will be onlent by the Caisse d'aide à l'équipement des collectivités locales in favour of ventures promoting the economic development of the regions concerned, notably by improving access to more outlying areas, removing bottlenecks in the road system and supplying basic services to the local population. Aquitaine, Languedoc-Roussillon and Midi-Pyrénées are among the regions of France eligible for support under the integrated Mediterranean programmes.

In the industrial sector, FF 12 million has been lent as part of the Community's efforts to encourage the use of advanced technology to enhance the competitive strength of European companies. This loan will be used for the manufacture of equipment facilitating increased use of computerization in industrial production. The funds have been advanced to Lectra-Systèmes SA to finance expansion of the company's manufacturing and R&D facilities in its factory at Cestas, in the suburbs of Bordeaux. The factory,

located in an area eligible for regional development aid, specializes in computer-aided design and computer-aided manufacturing systems. The project, which is expected to create 300 jobs, comprises construction of new buildings, conversion of a workshop, installation of new production facilities for the electronic, mechanical and laser sectors and modernization and extension of data-processing facilities. The equipment produced will make room for very considerable improvements in productivity (cheaper and higher-capacity machinery) in the manufacture of clothing. There is also scope for other applications in the leather, plastics and composite materials sectors.

Spain

2.4.65. Loans totalling PTA 21 800 million have been granted in Spain—PTA 15 800 million for industrial investment and PTA 6 000 million for infrastructure projects.

In the industrial sector two global loans each totalling PTA 5 000 million have been granted to Banco de Bilbao for investments by small and medium-sized industrial firms. PTA 5 000 million from the EIB's own resources (mainly the proceeds of its own borrowings on capital markets) is for investments in industry and related services (as well as tourism) in the less-favoured regions. PTA 5 000 million is made available from NCI IV resources to support small businesses in the more developed areas. In line with directives covering NCI IV, the funds will be onlent to investments in industry and related services, particularly those involving the application of new technology and innovation. Banco de Bilbao expects to use up to 15% of the two loans to take up equity holdings in small businesses, either directly, or indirectly through its specialized subsidiaries and regional industrial promotion companies. A further PTA 3 000 million has been granted, also in the form of a global loan from NCI IV resources, to Banco de Santander and Banco Comercial Español for projects in industry and related services throughout the country,

particularly those involving the introduction of new technology and innovation.

PTA 2 800 million has been granted to Liscaya (Leasing Bancaya SA), a 100% subsidiary of Banco de Vizcaya, in the form of a global loan which will be onlent for leasing machinery and other equipment to aid expansion and modernization of small and medium-sized industrial firms and related services throughout Spain (and tourist firms in the less-favoured areas).

Finally, PTA 6 000 million went to improve rail links between Galicia and Catalonia. The investments by RENFE (Red Nacional Ferrocarriles) relate to priority schemes included in the national plan for the railways to upgrade track and remove bottlenecks and to increase safety, speed and productivity. As well as helping develop communications with the less-favoured regions of north-western Spain, the works will improve links between Spain and the other Community countries. The line concerned runs from La Coruña to Port Bou, via León, Miranda de Ebro and Tarragona and forms a section of the international trunk network linking Portugal via Madrid to Port Bou and Hendaye (French border). The project involves the upgrading of almost 120 km of track and the installation of centrally controlled signalling along 191 km.

Denmark

2.4.66. In Denmark DKR 780 million went towards the construction of heat transmission lines in the Copenhagen area. The loan will be used for the construction of a distribution system to transport hot water from power plants and solid waste incineration plants to the local district heating grids of 10 municipalities. The district heating system, which like many others in Denmark has received EIB loans, helps to save energy and, through the replacement of a large number of smaller oil-burning plants, effectively improves the environment, thus meeting two of the Community's basic objectives.

United Kingdom

2.4.67. In the United Kingdom the EIB has granted UKL 50 million for a new international passenger terminal at Gatwick Airport. This investment will expand passenger handling capacity at London's second-largest airport from its current level of over 16 million a year to 21 million in 1988 and 25 million by 1992. The new terminal will reduce pressure on existing facilities and enhance intra-Community communications and connections with the rest of the world. The growth in passenger movements will be accompanied by the use of larger and quieter new-generation aircraft.

As well as a new passenger terminal building, works involve extension of the apron area, access roads, construction of a rapid-transit rail link, multi-storey car parks, an anti-noise embankment, associated buildings and service infrastructure.

Germany

2.4.68. In Germany the EIB has granted DM 66.8 million for environmental protection: DM 36.8 million for a dam to control the flow of the Wupper in the Bergisches Land (North Rhine-Westphalia) and provide regular water supplies for firms downstream together with a considerable improvement in the quality of the water. This work will help to increase the Wupper's flow, especially during dry periods, thus providing an adequate volume of water to a number of industrial firms and power stations which in the past have often had to cut back production because of water shortages. The dam, which will flood an area unsuitable for agriculture, will prevent flooding in winter. The increased flow will also avoid an excessive concentration of pollutants and will improve the environment for animal life and leisure activities. The other DM 30 million went towards the construction of a combined coal-fired heat and power station in Hanover to replace those of Volkswagen AG, Continental Gummi AG and Stadtwerke Hannover AG which did not meet the new legal standards.

This power station will be equipped with the latest devices to treat emissions, thus leading to a considerable reduction in air pollution. It will consist of two identical coal-fired steam sets with a total capacity of 415 MW for heating and 218 kW for electricity and will cover the energy requirements of the three firms involved.

Outside the Community

ACP States

2.4.69. The EIB lent 64.5 million ECU in eight ACP States under the third Lomé Convention: 37.4 million ECU from its own resources accompanied by an interest subsidy from the resources of the European Development Fund and 27.1 million ECU from risk capital resources managed by the Bank.

2.4.70. In Nigeria a global loan of 30 million ECU to the New Nigeria Development Company Ltd (NNDC) will help finance investment by small and medium-sized enterprises in the industrial, agricultural processing, mining and tourism sectors. NNDC's share capital has been subscribed by the 10 northern states of Nigeria where its activities are concentrated. Consequently, the global loan will complement the two lines of credit for 25 and 40 million ECU granted under Lomé I and II to the Nigerian Industrial Development Bank, which have so far been used to finance 61 projects.

2.4.71. In Côte d'Ivoire the EIB has granted 7.4 million ECU for modernizing and replacing installations at a textile mill. Utexi, established in 1971, operates two plants: a spinning-weaving mill at Dimbokro (240 km north of Abidjan) and a dyeing-printing works at Abidjan itself. Production centres chiefly on unbleached cotton, wide cloth and yarn at Dimbokro plus fancy prints and printed polyester-cotton at Abidjan. Over 80% of output is channelled to the local market and to consumers in the West African Economic Community. The project focuses on the partial

replacement in 1987 of installations at the Abidjan plant, whose capacity will remain unchanged, and the creation in 1989 of a new spinning shop plus adaptation of the weaving shop at Dimbokro where projectile looms will replace shuttle looms.

2.4.72. In Ghana 7 million ECU from risk capital will assist the second stage of the renovation programme at Tema refinery. This programme, which is also receiving aid from the International Development Agency (World Bank group), will improve environmental protection, lead to more rational use of energy and increase the safety of workers.

2.4.73. Investments to supply Cotonou and Porto Novo, the two largest towns in Benin, with safe drinking water have been supported by 6.5 million ECU in risk capital. The project, carried out by the Société béninoise d'électricité et d'eau, will include the drilling of new boreholes, the construction or extension of water treatment plants and elevated storage reservoirs and the rehabilitation of existing reservoirs; 23 km of feeder lines and 280 km of primary and secondary distribution pipes will be laid to serve an additional 560 000 people in Cotonou and Porto Novo. The project should put an end to consumption of untreated water by the public, thus effectively improving health conditions in the two towns.

2.4.74. By way of further support for improving and extending electricity generation and supply facilities at Nouadhibou, Mauritania's main port and economic centre, the Bank has advanced 5 million ECU from risk capital. The investment financed will help to renovate the installations of the Société nationale d'eau et d'électricité (Sonelec) in a high-consumption area with considerable industrial activity and a sizable urban population. In 1985 the EIB already lent Sonelec 7 million ECU for upgrading electricity-generating facilities and rehabilitating drinking water supply and distribution installations. The works covered by the second loan centre mainly on Nouadhi-

bou thermal power station (22 MW) and improvements to the electricity supply network. It is also planned to build up a stock of spare parts.

2.4.75. To aid the development of hydroelectric resources on the island of Dominica, the EIB has granted 3.8 million ECU from its risk capital for the installation of three new units with a total capacity of 4.3 MW to cope with increased demand without having to import oil. These funds will be made available to Dominica Electricity Services Ltd (Domlec), the public electricity generation and supply company, for the diversion of Clarke River, for the construction of a small dam on Freshwater Lake to supply water to the Laudat power station where a new 1.3 MW unit is also to be built, and for two additional generators with an individual capacity of 1.5 MW downstream of Trafalgar power station. Distribution lines and transport equipment are also planned.

2.4.76. In Swaziland 3 million ECU has been provided, again from risk capital, to assist small and medium-sized enterprises in industry, agro-industry, mining and tourism. A loan of 1.65 million ECU has been granted to the State to help it to subscribe to the equity of the new Swaziland Industrial Development Company Ltd (SIDC). Currently in the process of being set up to take over the activities of the National Industrial Development Corporation of Swaziland, the new company will also count the following among its shareholders: the Commonwealth Development Corporation, the

Deutsche Finanzierungsgesellschaft für Beteiligungen in Entwicklungsländern, the Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden, the International Finance Corporation (World Bank group) and a number of local banks. A loan of 1.35 million ECU to the SIDC will be onlent by the company in support of selected small and medium-sized enterprises approved by the EIB, notably towards financing fixed assets, including industrial buildings.

2.4.77. Finally, in Grenada, 1.8 million ECU from risk capital will help finance small and medium-sized enterprises operating in the industrial, agricultural processing and tourism sectors: 0.4 million ECU to the State will enable it to bolster the share capital of Grenada Development Bank with a view to providing the institution with a sounder financial base to cope with the upturn in its activity; 1.4 million ECU to Grenada Development Bank will finance ventures mounted by small businesses or equity participations in such businesses. The capital of GDB, established in 1976, is subscribed entirely by the State. The institution, which also receives financial backing from the Caribbean Development Bank, will draw on the proceeds of the EIB loan to finance both small businesses selected in agreement with the EIB and a nutmeg oil distillation plant: the latter facility will enable Grenada, the world's second-largest producer of nutmegs, to increase its exports of oil to North America and Europe.

PART THREE

DOCUMENTATION

1. ECU

Values in national currencies of one ECU

31 August 1987¹

Belgian franc and Luxembourg franc (convertible)	43.0512
Belgian franc and Luxembourg franc (financial)	43.3395
Danish krone	7.97259
German mark	2.07164
Greek drachma	157.819
Portuguese escudo	163.121
French franc	6.92564
Dutch guilder	2.33378
Irish pound	0.778106
Italian lira	1 500.21
Spanish peseta	139.175
Pound sterling	0.700224
United States dollar	1.14171
Swiss franc	1.70858
Swedish krona	7.28357
Norwegian krone	7.60782
Canadian dollar	1.50535
Austrian schilling	14.5763
Finnish mark	5.02469
Japanese yen	162.523
Australian dollar	1.60061
New Zealand dollar	1.88246

¹ OJ C 235, 1.9.1987.

NB: Explanatory notes on the ECU and 'green' rates can be found in Bull. EC 7/8-1982, points 3.1.1 to 3.1.3, and Bull. EC 10-1984, point 3.1.1.

Representative rates ('green' rates)

Conversion rates into national currencies for the ECU used in connection with the common agricultural policy

July/August 1987	
National currency	Value in national currency of one ECU
Belgian franc and Luxembourg franc	47.3310 ¹
	48.0467 ²
	48.0658 ³
Danish krone	8.58163 ¹
	8.70847 ⁴
	8.75497 ⁵
German mark	2.410476
	2.397927
	2.38516 ⁵
Greek drachma	137.262 ⁸
	116.673 ⁹ , 10
	117.901 ⁴
	150.275 ¹
	134.174 ⁷ , 11
	128.340 ¹² , 13
Portuguese escudo	124.840 ⁵
	181.888 ² , 8
	173.609 ¹⁴
	151.812 ¹⁰
French franc	171.725 ⁵
	7.47587 ³ , 6
	7.65699 ⁴
	7.69553 ¹⁵
	7.54539 ¹
	7.45826 ²
	7.20771 ⁹
7.09967 ¹⁰	
Dutch guilder	2.70230 ⁶
	2.68801 ⁷
	2.68749 ¹
	2.67387 ⁵
Irish pound	0.832119 ²
	0.831375 ³
	0.844177 ¹⁵
	0.829519 ⁴
Italian lira	0.817756 ¹
	1 629.00 ¹⁶
	1 577.00 ⁴
	1 554.00 ¹ , 9, 10
	1 597.00 ⁷ , 17
Spanish peseta	1 613.00 ⁵
	149.272 ⁴
	151.806 ¹
	155.786 ²
	154.213 ³
	145.796 ¹⁰ , 12

July/August 1987	
National currency	Value in national currency of one ECU
Pound sterling	0.664702 ⁴
	0.710546 ¹⁵
	0.652575 ¹
	0.665557 ²
	0.656148 ³

¹	For sheepmeat and goatmeat
²	For other livestock products.
³	For crop products.
⁴	For pigmeat.
⁵	For other products
⁶	For milk and milk products.
⁷	For cereals.
⁸	Amounts not related to the fixing of prices
⁹	For wine.
¹⁰	For olive oil.
¹¹	For sugar and tobacco.
¹²	For other crop products.
¹³	For eggs and poultrymeat.
¹⁴	For fishery products.
¹⁵	For beef/veal.
¹⁶	For fruit and vegetables and tobacco.
¹⁷	For oilseeds.

2. Additional references in the Official Journal

3.2.1. This section lists the titles of legal instruments and notices of Community institutions or organs which have appeared in the Official Journal since the last Bulletin was published but relating to items appearing in earlier issues of the Bulletin; the references were not available when the Bulletin went to press.

The number of the Bulletin and the point to which this additional information refers is followed by the title shown on the cover of the Official Journal, the number of the issue and the date of publication.

Bull. EC 12-1986

Point 2.2.30

Council Decision of 8 December 1986 concerning the conclusion of the International Agreement on Olive Oil and Table Olives, 1986
OJ L 214, 4.8.1987

Bull. EC 2-1987

Point 2.2.36

Joint Assembly of the Agreement between the African, Caribbean and Pacific States and the European Economic Community (2 to 5 February 1987)
OJ C 197, 27.7.1987

Bull. EC 4-1987

Points 1.2.1 to 1.2.5

Proposal for a Council Regulation establishing a Community system of aids to agricultural income

Proposal for a Council Regulation establishing a framework system for national aids to agricultural income

Proposal for a Council Regulation establishing a Community scheme to encourage the cessation of farming
OJ C 236, 2.9.1987

Point 2.1.49

Council Decision of 7 April 1987 concerning the conclusion of the International Convention on the Harmonized Commodity Description and Coding System and of the Protocol of Amendment thereto
OJ L 198, 20.7.1987

Bull. EC 5-1987

Point 2.1.68

Draft Commission Regulation on the application of Article 85(3) of the Treaty to certain categories of know-how licensing agreements
OJ C 214, 12.8.1987

Point 2.1.106

Conclusions of the Council and the Ministers for Education meeting within the Council of 14 May 1987 concerning a programme of European collaboration on the integration of handicapped children into ordinary schools
OJ C 211, 8.8.1987

Point 2.1.107

Conclusions of the Council and of the Ministers for Education meeting within the Council of 14 May 1987 on in-service training for teachers
OJ C 211, 8.8.1987

Point 2.2.5

Proposal for a Council Regulation concerning the establishment of a European Export Credit Insurance Facility to provide export credit insurance for export contracts to third countries sourced in more than one Member State
OJ C 230, 28.8.1987

Points 2.4.25 to 2.4.39

Opinions adopted by the Economic and Social Committee during its session on 13 and 14 May 1987
OJ C 180, 8.7.1987

Bull. EC 6-1987

Point 2.1.12

Council Directive of 25 June 1987 on roll-over protection structures mounted in front of the driver's seat on narrow-track wheeled agricultural and forestry tractors

Council Directive of 25 June 1987 supplementing Annex I to Directive 70/156/EEC on the approximation of the laws of the Member States relating

to the type-approval of motor vehicles and their trailers

OJ L 220, 8.8.1987

Point 2.1.14

Council Directive of 25 June 1987 on the harmonization of the laws of the Member States relating to simple pressure vessels

OJ L 220, 8.8.1987

Point 2.1.59

Council Decision of 15 June 1987 concerning the conclusion of a Convention between the European Community, the Republic of Austria, the Republic of Finland, the Republic of Iceland, the Kingdom

of Norway, the Kingdom of Sweden and the Swiss Confederation on a common transit procedure

OJ L 226, 13.8.1987

Point 2.1.72

Draft Commission Regulation (EEC) on the application of Article 85(3) of the Treaty to categories of franchising agreements

OJ C 229, 27.8.1987

Point 2.1.131

Council Directive of 25 June 1987 amending Directive 84/534/EEC on the approximation of the laws of the Member States relating to the permissible sound power level of tower cranes

OJ L 220, 8.8.1987

3. Infringement procedures

Initiation of proceedings for failure to implement directives

3.3.1. In August the Commission sent a letter of formal notice for failure to incorporate the following directive into national law (the Commission not having been informed of national implementing measures):

Commission Directive of 22 July 1985¹ adapting to technical progress the Council Directive of 6 December 1984 on the supervision and control within the European Community of the transfrontier shipment of hazardous waste² (Italy).

Reasoned opinions

3.3.2. In July and August the Commission delivered reasoned opinions for failure to incorporate directives into national law or for failure to inform the Commission of national implementing measures in the following cases:

Financial institutions and company law

Council Directive of 10 June 1985³ amending the Council Directive of 17 July 1969 concerning indirect taxes on the raising of capital⁴ (Greece).

Internal market and industrial affairs

Council Directive of 19 February 1973 on the harmonization of the laws of Member States relating to electrical equipment designed for use within certain voltage limits⁵ (United Kingdom).

Environment and consumer protection

Council Directive of 15 July 1980 on air quality limit values and guide values for sulphur dioxide and suspended particulates⁶ (Belgium).

Council Directive of 27 July 1976 on the approximation of the laws of the Member States relating to cosmetic products⁷ (United Kingdom).

Council Directive of 17 May 1982⁸ amending for the second time the Council Directive of 27 July 1976 on the approximation of the laws of the

¹ OJ L 272, 12.10.1985.

² OJ L 326, 13.12.1984

³ OJ L 156, 15.6.1985.

⁴ OJ L 249, 3.10.1969.

⁵ OJ L 77, 26.3.1973.

⁶ OJ L 229, 30.8.1980

⁷ OJ L 262, 27.9.1976

⁸ OJ L 167, 15.6.1982

Member States relating to cosmetic products¹ (United Kingdom).

Council Directive of 17 December 1979 on the protection of groundwater against pollution caused by certain dangerous substances² (Germany).

Council Directive of 26 September 1983 on limit values and quality objectives for cadmium discharges³ (Germany).

Proceedings terminated

3.3.3. The Commission decided not to continue the following infringement proceedings:

Internal market and industrial affairs

Council Directive of 28 March 1983⁴ amending the Council Directive of 27 July 1976 on the approximation of the laws of the Member States on clinical mercury-in-glass, maximum reading thermometers⁵ (Belgium, Ireland).

Commission Directive of 18 July 1984⁶ adapting to technical progress the Council Directive of 27 July 1976 on the approximation of the laws of the Member States on clinical mercury-in-glass, maximum reading thermometers⁵ (Belgium, Ireland).

Commission Directive of 31 January 1985⁷ adapting to technical progress the Council Directive of 19 November 1973 on the approximation of the laws of the Member States relating to material measures of length⁸ (Ireland).

Council Directive of 18 October 1982⁹ amending the Council Directive of 25 July 1978 laying down specific criteria of purity for antioxidants which may be used in foodstuffs intended for human consumption¹⁰ (Belgium).

Council Directive of 22 July 1980¹¹ amending the Council Directive of 4 June 1973 on the approximation of Member States' laws, regulations and administrative provisions relating to the classification, packaging and labelling of dangerous preparations (solvents)¹² (Germany).

Commission Directive of 10 June 1982¹³ adapting to technical progress the Council Directive of 4 June 1973 on the approximation of Member States' laws, regulations and administrative provisions relating to the classification, packaging and labelling of dangerous preparations (solvents)¹² (Germany).

Agriculture

Third Commission Directive of 21 December 1982¹⁴ amending the Annex to the Council Directive of 23 November 1976 on the marketing of straight feedingstuffs¹⁵ (France).

Council Directive of 18 April 1983 on the fixing of guidelines for the assessment of certain products used in animal nutrition¹⁶ (Netherlands).

Council Directive of 26 June 1964 on health problems affecting intra-Community trade in fresh meat¹⁷ (Greece).

Council Directive of 7 February 1983¹⁸ amending the Council Directive of 26 June 1964 on health problems affecting intra-Community trade in fresh meat¹⁷ (Greece).

Commission Directive of 12 April 1983¹⁹ establishing exceptions from the Council Directive of 21 December 1976 for certain products which contain other foodstuffs and only a small percentage of meat or meat product²⁰ (France).

Environment and consumer protection

Council Directive of 8 March 1984 on limit values and quality objectives for mercury discharges by sectors other than the chloralkali electrolysis industry²¹ (Denmark).

Council Directive of 6 December 1984 on the supervision and control within the European Community of the transfrontier shipment of hazardous waste²² (Germany, Netherlands).

Commission Directive of 22 July 1985²³ adapting to technical progress the Council Directive of 6 December 1984 on the supervision and control within the European Community of the transfrontier shipment of hazardous waste²² (Netherlands).

¹ OJ L 262, 27.9.1976.

² OJ L 20, 26.1.1980.

³ OJ L 291, 24.10.1983.

⁴ OJ L 91, 9.4.1983.

⁵ OJ L 262, 27.9.1976.

⁶ OJ L 228, 25.8.1984.

⁷ OJ L 54, 23.2.1985.

⁸ OJ L 335, 5.12.1973.

⁹ OJ L 297, 23.10.1982.

¹⁰ OJ L 223, 14.8.1978.

¹¹ OJ L 229, 30.8.1980.

¹² OJ L 189, 11.7.1973.

¹³ OJ L 213, 21.7.1982.

¹⁴ OJ L 383, 31.12.1982.

¹⁵ OJ L 32, 3.2.1977.

¹⁶ OJ L 126, 13.5.1983.

¹⁷ OJ L 121, 29.7.1964.

¹⁸ OJ L 59, 5.3.1983.

¹⁹ OJ L 112, 28.4.1983.

²⁰ OJ L 26, 31.1.1977.

²¹ OJ L 74, 17.3.1984.

²² OJ L 326, 13.12.1984.

²³ OJ L 272, 12.10.1985.

Council Directive of 17 May 1982¹ amending for the second time the Council Directive of 27 July 1976 on the approximation of the laws of the Member States relating to cosmetic products² (Italy).

Second Commission Directive of 30 March 1983³ adapting to technical progress Annexes II, III, IV and V to the Council Directive of 27 July 1976 on the approximation of the laws of the Member States relating to cosmetic products² (Italy).

Third Commission Directive of 29 June 1983⁴ adapting to technical progress Annexes II, III and V of the Council Directive of 27 July 1976 on the approximation of the laws of the Member States relating to cosmetic products² (Italy).

Fourth Commission Directive of 22 September 1983⁵ adapting to technical progress Annex VI to the Council Directive of 27 July 1976 on the

approximation of the laws of the Member States relating to cosmetic products² (Italy).

Third Commission Directive of 26 September 1983 on the approximation of the laws of the Member States relating to methods of analysis necessary for checking the composition of cosmetic products⁶ (Italy).

Council Directive of 26 October 1983⁷ amending for the third time the Council Directive of 27 July 1976 on the approximation of the laws of the Member States relating to cosmetic products² (Italy).

¹ OJ L 167, 15.6.1982.

² OJ L 262, 27.9.1976.

³ OJ L 109, 26.4.1983.

⁴ OJ L 188, 13.7.1983.

⁵ OJ L 275, 8.10.1983.

⁶ OJ L 291, 24.10.1983.

⁷ OJ L 332, 28.11.1983.

4. Statement on Denmark's term as Council President

Strasbourg: 8 July 1987¹

3.4.1. 'The Single European Act² testifies to the fact that the process of European integration has not ground to a halt but on the contrary is very much alive and can respond to outside impulses.

The Act deals with the central issues at the heart of the challenge faced by European society. The following are involved:

- (i) the internal market with reference to the competitiveness of European industry;
- (ii) health, environmental protection and the working environment with reference to the qualitative aspects of community life;
- (iii) research and technology with reference to the industry that in the future will take the place of the old and well-tried industrial sectors which have supported European society for more than one generation.

Also involved is the important issue of economic and social cohesion which must form part of European Community cooperation if the latter is to develop smoothly. Cohesion is related to both

economic policy and completion of the internal market. The Community can and must make a substantial contribution to ironing out differences in living standards between the various regions of Europe. This can be done by applying Community instruments, e.g. the Community's structural Funds. It can also be done by adapting economic policy. There is no reason to hide the fact that when all is said and done it remains to be seen whether stimulating economic growth in the most disadvantaged regions will prove decisive in solving this great and fundamental problem.

The Single European Act is in itself a sign: an internal indication that the Community is alive and functioning and outward proof of the Community's dynamism and place in the world.

The Single European Act entered into force on 1 July 1987. In the coming six months the new provisions of the Act must be practically applied.

¹ Speech in Parliament by Mr Uffe Ellemann-Jensen, incoming President of the Council, on Denmark's programme for its six-month term

² Supplement 2/86 — Bull. EC.

The Danish Presidency is determined that in the first six months of the Single Act's life a solid basis will be laid for elaborating and continuing the integration process in the areas covered by the Single Act. The signal given by the negotiation of the Single Act will be reinforced by concrete measures in pursuit of its aims. Work plans and time-tables have already been prepared for many areas. The Presidency intends to work actively towards turning those aims into reality.

Completion of the internal market is one of the Community's major tasks. There is no point in concealing the fact that the institutions, and not least the Council, have not been able to keep to the time-table originally drawn up. This is something we must just accept. It has proved more difficult than originally thought to arrive at concrete decisions.

The Danish Presidency will do its best to ensure that no further delays occur. We are counting on effective cooperation with the Commission, the other Member States and not least the European Parliament.

The Single Act involves a series of changes to the decision-making procedure concerning the internal market. It provides for a transition to qualified majority voting in the case of a number of Articles. The fundamental provision is Article 100a, which concerns *inter alia* uniform technical rules.

The Danish Presidency sees Article 100a as a fundamental innovation in the Community. This Article has been criticized in various quarters on the basis of varying views and assessments. Some consider the Article goes too far, others that it does not go far enough, and some find it unclear.

The Danish Presidency thinks Article 100a shows political courage and foresight on the part of the European Council, which was faced with the problem of the Member States wanting progress towards completion of the internal market but without any threat to environmental protection, etc., in the individual Member States.

Article 100a is an attempt to reconcile two objectives — the internal market and environmental protection, etc., which might at first glance seem irreconcilable. That is why Article 100a is complicated but it is also why it is an expression of determination and foresight.

However, its purpose can be achieved only if the institutions, including the European Parliament, and all the Member States adopt a politically responsible approach and show the will to live up to Article 100a's expectations when the Council deals with concrete proposals from the Commission.

If this is done, Article 100a could become a success and the Community could achieve substantial results in two highly important areas. But if the Member States or the institutions stoop to pursuing their own individual interests, there is a danger that the attempt to reconcile the two above-mentioned objectives will come to nought to the considerable detriment of the Community's subsequent development.

It is only natural that the new cooperation procedure introduced pursuant to Article 6 of the Single Act is of great interest to the European Parliament.

On behalf of the Danish Presidency I can assure you that we wish for smooth cooperation between the Council and the European Parliament. The conciliation procedure will be used for the purpose for which it was intended, i.e. to improve the decision-making procedure, so that the various legal acts can be subjected to thorough, sober and practical discussion before their adoption. We look forward to a contribution from the European Parliament in this respect. The Parliament is noted for making constructive contributions to the discussion of Commission proposals. This applies not least to the high quality of the work carried out in the Parliament's Committees. I am convinced that the European Parliament will live up to these traditions in the coming months.

Research and technology had a chapter to themselves in the Single Act, which in itself is testimony to the growing importance attached to these matters in the integration process.

The same applies to working conditions and environmental protection. In this area the Presidency hopes that in the very near future the Commission will put forward its own proposals so that the Council and the European Parliament, within these institutions' respective spheres of competence, can get down to the work of establishing a common policy in the areas of working conditions and environmental protection.

I mentioned the section on economic and social cohesion earlier. The Presidency is aware of the importance of this section and the significance it clearly must have for a number of Community Member States.

If the internal market and related matters take up such a large proportion of this account it is because this topic features in the Single Act and because it occupies a central position in the Community's legislative process.

This must not however lead us to overlook economic policy, monetary policy and international commercial policy.

In these areas it is important that the Community not only improve its own position but also contribute to international negotiations and discussions.

The economic situation is reasonably good, but scarcely anyone would deny that there is a need to stimulate economic development in a number of important industrialized countries. Only through higher rates of growth will it be possible to reduce the already extremely high unemployment which is a problem for all industrialized countries and which in the longer term can threaten the economic and political stability of our societies.

In the monetary field the EMS has for a number of years been successful in protecting the Community countries against the abrupt currency fluctuations which have plagued the dollar and the yen. The Presidency hopes that in the course of the second half of 1987 progress can be made towards strengthening the EMS and that cooperation on exchange rates can encompass as many countries as possible.

In the commercial policy area it is important to avoid any trend towards renewed protectionism. A number of specific matters pose a threat in this respect. The Presidency will keep a close eye on this threat and try to prevent any developments in particular areas that could threaten the liberal international trading system.

In addition we have the international trade negotiations within the GATT, the Uruguay Round. As the Presidency sees it these talks must get under way quickly, and it will endeavour as quickly as possible to establish common positions regarding both the defence of the Community's legitimate interest and attempts to achieve a further liberalization of international trade.

Within the Community we face grave financial and budgetary problems.

The Commission has lived up to its responsibilities and in accordance with the conclusions of the European Council meeting in June 1984 has submitted a set of comprehensive proposals to resolve the Community's financial problems.¹ These proposals are aimed at introducing a financial framework for the development of the Community in the medium term, i.e. up until the beginning of the 1990s.

The Belgian Presidency commenced negotiations on financial reform on the basis of the Commission proposal. The Danish Presidency intends to continue these negotiations vigorously. It is to be hoped that financial reform will take shape in the latter half of this year.

There is presumably nobody who would dispute that it is not possible within the existing financial

framework to continue with the present common policies and extend them to bring in new ones.

Nor is there anyone who would deny that such an extension of the financial framework is not possible until the Community achieves better administration and control of the budget. There must be certainty that monies are being used for the right purposes and in the right way.

The Presidency is well aware of the importance of financial reform for the future of the Community. There will be no sparing of endeavour to achieve a result which will secure peace for the Community in the financial sphere for several years.

The same applies to the matter of solving the acute financial problem for 1987 and the drawing-up of a budget proposal for 1988. The Presidency is looking forward to good and constructive cooperation with the European Parliament in this important sphere. It would be most unfortunate for the further development of the Community if disputes about the very short-term problems were to hinder discussions on the longer-term solutions. We in the Community must therefore clear away the short-term difficulties.

In this connection I would appeal most strongly to the Parliament to help us find a solution to the budget problems for 1987. The Presidency has explained to the Parliament the solution reached at the meeting of Budget Ministers last week and it does not require any great sensitivity to realize that Parliament has given a very chilly reception to that solution. I would be the first to agree that this is a result that could be tactfully described as "creative accountancy", or to put it more forcefully, this is a piece of budget cosmetics which is not going to lead very far. But it was the best that could be achieved in the extraordinarily difficult situation which had arisen because the Council had not reacted in time to clear warnings from the Commission. I am also aware that there are still unresolved problems concerning the decisions that have to be taken in this connection by the Agriculture Ministers, but the Danish Presidency is firmly resolved to secure the progress which will bring the necessary clarification. I am putting all these problems to you so frankly because we have to be honest with each other in this matter. We cannot get a better solution — and if we do not *now* get this painful problem solved and put aside it will make it difficult to progress with the financial reform which will protect us against getting into similar situations in the future. I therefore call upon the Parliament now, this week, to make it possible for the Community to continue to function in 1987 without having to waste time and

¹ Supplement 1/87 — Bull. EC

energy on averting extremely acute financial problems. This will enable us instead to use our time and energy in together constructing the framework for financial reform. For we cannot do both. It is now up to you. If we have to wrestle with these highly acute problems, this will inevitably interfere with and delay work on the reform. And that would be very damaging to the further development of the Community.

The Community should and will progress further. The common policies, including the common agricultural policy, which have been constructed with great difficulty and effort, must be defended while the current ones are adjusted to new circumstances and conditions. Only by maintaining the results already achieved will our attempts to establish new common policies be credible.

The goal of the Danish Presidency over the next six months is progress in several areas towards putting the Community in a better position to contribute to the solution of the major economic, social, industrial and technological challenges facing the Member States and therefore Europe.

*

The rules for European political cooperation have now been laid down in the Single Act. Article 30(4), which directly concerns relations between EPC and the European Parliament, states that:

"The High Contracting Parties shall ensure that the European Parliament is closely associated with European political cooperation. To that end the Presidency shall regularly inform the European Parliament of the foreign policy issues which are being examined within the framework of political cooperation and shall ensure that the views of the European Parliament are duly taken into consideration."

There will be many occasions in the next six months when it will be my task as President to discuss foreign policy questions with Parliament. I look forward to them.

It has been my experience from 1982 that these meetings between the Parliament and the Presidency are important. I can assure you, Mr President, that the Danish Presidency will do its best to ensure that the views of the European Parliament in the foreign policy field, as expressed in its resolutions, will be incorporated with the appropriate weight into European political cooperation.

European political cooperation is seen by all the Twelve as a forum in which the members together can exercise greater influence on international events than they can individually. No Presidency should harbour any illusions that it is possible, in order to further its own national interests, to alter

the foreign policy positions of the Twelve swiftly on one issue or another.

Events have shown that the Twelve increasingly speak with weight and authority in international affairs. To take this positive development further the Twelve must constantly consult each other and to the greatest possible extent coordinate their positions.

In exercising the Presidency Denmark will do its utmost to live up to this particular responsibility.

Allow me now to touch briefly on some of the matters which can be expected to come to the fore during the Danish EPC Presidency.

Four and a half years ago in this chamber I took stock following the last Danish Presidency. East-West relations were then going through a difficult time following the Soviet Union's invasion of Afghanistan and developments in Poland.

Much has happened since in East-West relations. As always the matter has demanded considerable attention from the Twelve. This will also be the case under Denmark's Presidency this year.

In recent months the prospects for a successful outcome of the arms control negotiations between the US and the Soviet Union have increased considerably. This opens up afresh the possibility of further success in other areas of East-West relations.

The Twelve have closely followed recent developments in the Soviet Union and on the Soviet political scene. I hope that what we are now witnessing will eventually prove to be a transitional stage towards more stable and positive East-West relations.

The Twelve's attitude has been marked by both constructive openness and vigilance. We must be ready to seize any chance to improve East-West relations, but must remain on the alert so that we can protect our fundamental principles and interests. Above all we must enter into a dialogue to establish whether the Soviet Union and the other Warsaw Pact countries are prepared to see words and proposals followed by negotiation and agreements.

The CSCE follow-up meeting in Vienna is a very important task for the Twelve. The meeting is now entering a crucial stage.

With their special interest in closer East-West relations the Twelve will continue to participate actively and constructively in the CSCE negotiations. Our aim is a final document which will reinforce the human dimensions of the Helsinki Final Act, increase confidence and security in Europe and open the door to greater economic

cooperation. The Danish Presidency will thus direct its efforts towards implementation of the West's proposed plan of action. This includes the holding of a conference on the CSCE's human aspects so as to secure the required balance in the CSCE process, with on the one hand efforts to obtain military security and on the other hand efforts to improve the lot of the individual.

It will be possible to make progress in the CSCE follow-up meeting in Vienna as advances are made in the other areas of East-West relations, in particular on the balance of conventional forces and disarmament in Europe.

East-West ties are of vital significance for us but the Twelve must also consider a whole range of other questions in the next six months.

Take the situation in Afghanistan. The Twelve must help to maintain and intensify international pressure on the Soviet Union for a withdrawal of Soviet forces.

At the same time the Twelve must support UN efforts to arrive at a negotiated solution establishing the Afghan people's right to self-determination.

In the Middle East we hope that the prospects for an international peace conference on the Arab-Israeli conflict will increase during the year. The Twelve support this process and will make every effort to help bring the parties directly concerned together around the negotiating table.

The Twelve will also continue to participate in the efforts to obtain a peaceful and lasting solution to the conflict in Lebanon.

In the war between Iraq and Iran, the Twelve must continue to support every practical effort at conciliation, and principally those being made under the auspices of the UN.

Developments in southern Africa remain a matter of intense discussion in European political cooperation. The Twelve should play an active part in international pressure to bring about the complete abolition of apartheid.

At the same time we must intensify the positive action we are taking to obtain the abolition of the apartheid policy in South Africa, and for the benefit of the front-line States and the SADCC countries.

The Twelve are also monitoring developments in Latin America, and fully support the peace process in Central America which the Contadora countries initiated in 1983. This year will see preparations for the next San José-type conference between 12 European and 9 Latin American countries.

One area which plays an increasingly important part in international politics is human rights. The Twelve's declaration on human rights last year testifies to the importance we place on this question.

In the past year the Twelve have made a number of representations to different governments in an effort to promote respect for human rights both at a general level and in individual cases.

The Danish Presidency will support and intensify the Twelve's commitments in the field of human rights.

In the context of political cooperation the Twelve have in the past year been increasingly discussing the possibility of a common front in the fight against international terrorism. The Danish Presidency will sustain these efforts, as well as those in other relevant forums such as the UN, the ICAO and the Council of Europe.

The role of the EPC Presidency is especially conspicuous in the UN General Assembly.

Through its Presidency, Denmark will endeavour to coordinate the attitudes of the Twelve towards the many draft resolutions which are put to the vote. Furthermore, attempts are being made to extend the already very considerable areas in which the Twelve speak with one voice and vote as one.

Finally, allow me to comment on the Twelve's relations with third countries.

In a declaration annexed to the Single European Act, the Twelve reaffirmed their openness to other European nations which share the same ideals and objectives. They agreed to strengthen their links with such countries.

The Danish Presidency lays great store by this declaration and will work to develop links with the other Western European nations, including the other Nordic countries for whom Denmark, as the only Nordic member of the Community, has traditionally assumed the special role of bridge-builder.

The Twelve also enjoy close contacts with a series of other countries.

One month ago the 40th anniversary of the Marshall Plan was celebrated. That Plan became a most decisive prerequisite for the construction of the European Communities. It was the USA which, via Marshall Plan aid, enabled the Europeans to live again after a devastating world war.

The present-day cohesion of the Western world is built on the strong bonds across the Atlantic linking Europe and North America. We must work for the values we hold in common: respect for

human rights, trust in peace-promoting concepts and the desire for unimpeded relationships across national frontiers.

In its Presidency Denmark will work to continue to maintain close links with the USA. We must demonstrate that foreign policy cooperation between the Twelve is a factor in strengthening the broad basis of Western cohesion.

In our Presidency we shall also be in close contact with many other like-minded Western nations. Furthermore, links with other countries and groups, such as the Asean countries and front-line States, will be maintained.

*

Europe must not come to a halt. The challenges and the problems are too great for that. We must not look inwards and keep ourselves to ourselves.

On the contrary, we need to be sensitive to the trends and influences which reach us from outside.

The European Communities are a unique phenomenon in the history of international affairs. It is important for the Community to continue to develop. Otherwise, there is a danger of moves towards disintegration which could lead to isolation and protectionism resulting in irreparable damage, not only for Europe and the individual countries of Europe, but also for the rest of the world.

That is why the Danish Presidency wants the Community to develop and grow during the next six months.

The Presidency looks ahead to constructive cooperation with the other Community institutions, not least with the European Parliament, and with the other Member States from this viewpoint.'

5. Eurobarometer

Public opinion in the European Community — Spring 1987

3.5.1. The latest *Eurobarometer* survey published by the Commission was carried out between 17 March and 8 May 1987.¹

This 27th edition of *Eurobarometer* is divided into five chapters:

The European Community today. Compared to the end of 1986,² 'support for Europe' is 6 or 7 points down in Germany, Spain and Italy, has risen in the Netherlands, is still growing steadily in the United Kingdom and has risen distinctly in France.

The 30th birthday: a balance sheet. The most striking developments since 1957 are mutual trust

and cooperation, free trade and travel, the rise in unemployment, and food surpluses.

Looking ahead: 'Europe, our future'. Three out of four people want the Community to move forward and step up exchanges; there is overwhelming support for the Single European Act.

The European Parliament at mid-term. There is a high risk of a low turn-out if a European election were held tomorrow.

European social and policy issues. Special issues covered were the role of men and women; public expenditure on research and technology; agriculture and the CAP.

¹ *Eurobarometer* No 27 (Brussels, June 1987).

² Bull. EC 1-1987, point 3.5.1.

Venta y suscripciones · Salg og abonnement · Verkauf und Abonnement · Πωλήσεις και συνδρομές
Sales and subscriptions · Vente et abonnements · Vendita e abbonamenti
Verkoop en abonnementen · Venda e assinaturas

BELGIQUE/BELGIE Monteur belge/Belgisch Staatsblad Rue de Louvain 40-42 / Leuvensestraat 40-42 1000 Bruxelles / 1000 Brussel Tel 512 00 26 CCP / Postrekening 000-2005502-27 Sous-dépôts / Agentschappen Librairie européenne / Europese Boekhandel Rue de la Loi 244 / Wetstraat 244 1040 Bruxelles / 1040 Brussel CREDOC Rue de la Montagne 34 / Bergstraat 34 Bte 11 / Bus 11 1000 Bruxelles / 1000 Brussel	FRANCE Journal officiel Service des publications des Communautés européennes 26, rue Desaix 75727 Paris Cedex 15 Tel (1) 45 78 61 39	NEDERLAND Staatsdrukkerij- en uitgeverijbedrijf Christoffel Plantijnstraat Postbus 20014 2500 EA s-Gravenhage Tel (070) 78 98 80 (bestellingen)
DANMARK Schultz EF-publikationer Møntergade 19 1116 København K Tlf (01) 14 11 95 Telecopier (01) 32 75 11	IRELAND Government Publications Sales Office Sun Alliance House Molesworth Street Dublin 2 Tel 71 03 09 or by post Government Stationery Office Publications Section 6th floor Bishop Street Dublin 8 Tel 78 16 66	PORTUGAL Imprensa Nacional Casa da Moeda, E P Rua D Francisco Manuel de Melo, 5 1092 Lisboa Codex Tel 69 34 14 Telex 15328 INCM Distribuidora Livros Bertrand Lda Grupo Bertrand, SARL Rua das Terras dos Vales 4-A Apart 37 2700 Amadora CODEX Tel 493 90 50 - 494 87 88 Telex 15798 BERDIS
BR DEUTSCHLAND Bundesanzeiger Verlag Breite Straße Postfach 10 80 06 5000 Köln 1 Tel (02 21) 20 29-0 Fernschreiber ANZEIGER BONN 8 882 595 Telecopierer 20 29 278	ITALIA Licosa Spa Via Lamarmora 45 Casella postale 552 50 121 Firenze Tel 57 97 51 Telex 570466 LICOSA I CCP 343 509 Subagenti Libreria scientifica Lucio de Biasco - AEIOU Via Maravigli, 16 20 123 Milano Tel 80 76 79 Libreria Tassi Via A Farnese, 28 00 192 Roma Tel 31 05 90 Libreria giurdica Via 12 Ottobre, 172/R 16 121 Genova Tel 59 58 93	UNITED KINGDOM HM Stationery Office HM50 Publications Centre 51 Nine Elms Lane London SW8 5DR Tel (01) 211 56 56 Sub-agent Alan Armstrong & Associates Ltd 72 Park Road London NW1 4SH Tel (01) 723 39 02 Telex 297635 AAALTD G
GREECE G C Eleftheroudakis SA International Bookstore 4 Nikis Street 105 63 Athens Tel 322 22 55 Telex 219410 ELEF Sub-agent for Northern Greece Molho's Bookstore The Business Bookshop 10 Timiskli Street Thessaloniki Tel 275 271 Telex 412885 LIM0	GRAND-DUCHÉ DE LUXEMBOURG et autres pays / and other countries Office des publications officielles des Communautés européennes 2, rue Mercier L-2985 Luxembourg Tel 49 92 81 Telex PUBOF LU 1324 b CCP 19190-81 CC bancaire BIL 8-109/6003/200 Abonnements / Subscriptions Messageries Paul Kraus 11 rue Christophe Plantin L-2339 Luxembourg Tel 49 98 888 Tel 49 98 888 Telex 25 15 CCP 49242-63	UNITED STATES OF AMERICA European Community Information Service 2100 M Street, NW Suite 707 Washington DC 20037 Tel (202) 862 9500
ESPAÑA Boletín Oficial del Estado Trafalgar 27 28010 Madrid Tel (91) 446 60 00 Mundi-Prensa Libros, S A Castelló 37 28001 Madrid Tel (91) 431 33 99 (Libros) 431 32 22 (Suscripciones) 435 36 37 (Dirección) Télex 49370-MPLI-E	CANADA Renouf Publishing Co., Ltd 61 Sparks Street Ottawa Ontario K1P 5R1 Tel Toll Free 1 (800) 267 4164 Ottawa Region (613) 238 8985-6 Telex 053-4936	JAPAN Kinokuniya Company Ltd 17-7 Shinjuku 3-Chome Shinjuku-ku Tokyo 160-91 Tel (03) 354 0131 Journal Department PO Box 55 Chitose Tokyo 156 Tel (03) 439 0124

Price 1987 (excluding VAT) in Luxembourg	ECU	BFR	IRL	UKL	USD
Annual subscription (Complete subscription)	80 90	3 500	61 60	57.70	84.00
Bulletin of the European Communities (11 issues + Index + 1st Supplement)	64.60	2 800	49.30	46 20	67.50
Price per single copy	7	300	5.30	5 00	7.00
Supplements to the Bulletin (per single copy)	3 50	150	2.70	2.50	3 50

Subscriptions are annual and run from 1 January to 31 December. Payment to be made only to the agents in the countries listed above.

These are surface mail rates, for air subscription rates, please apply to the agents.

A 50% reduction is obtainable for subscriptions by students. Applications should be made to the Office for Official Publications of the European Communities, L — 2985 Luxembourg.

Last published Index 1984



OFFICE FOR OFFICIAL PUBLICATIONS
OF THE EUROPEAN COMMUNITIES

L - 2985 Luxembourg



CB-AA-87-008-EN-C

060 TA
2/09/95

XL
192195

267

